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CANADA'S WEEKLY NEWSMAGAZINE
SEPTEMBER 27 1993 VOL 106 NO 39

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COVER INSET PHOTO BY CLEMENT ALLARD COVER ART BY ERIC LEGGE/MACLEAN'S

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PETER BREGG/MACLEAN'S

Tough choices

30 At the invitation of *Maclean's* and CTV, a group of 12 Canadians spent a summer weekend debating how to reduce the national deficit. Their initial enthusiasm for that assignment quickly gave way to frustration at the complexity of the task and the limits on their fiscal flexibility. In the end, they managed to agree on several significant budget cuts. But in the process, they learned more about politics than economics

Bourassa's legacy

18 Over the years, Quebec Premier Robert Bourassa has come to epitomize passionless politics. But tears flowed freely when Bourassa met members of his Liberal party caucus in Quebec City last week to announce his pending resignation. Said one Liberal colleague: "There was not a dry eye in the house."



CLEMENT ALLARD



Under the spell

58 What made a group of young Quebecers remain loyal to a brutal cult leader who tortured them mercilessly? Why did a plea bargain keep many details of his barbarity out of court? In a disturbing new book, *Savage Messiah*, two *Maclean's* staffers examine the rise and fall of Rock Theriault, a hustler from Thetford-Mines, Que., who committed some of the worst atrocities in the annals of Canadian crime



The Silent Issue: Quebec

It took the exit of Robert Bourassa last week to serve Canadians with a timely reminder: this election also is about electing a prime minister who can deal with a crisis in Quebec. And crisis in Quebec there may well be. With Bourassa's uncharacteristically emotional departure, the stage is set for a provincial Liberal leadership convention early in 1994 and an election showdown with the Parti Québécois roughly a year from now. Without Bourassa's steady hand, and the wrong kind of stewardship in Ottawa, Canada could well be facing another threat to its survival.

It is always possible, of course, that the Quebec Liberals will elect an effective federalist who can persuade Quebecers that their destiny is to remain in Canada. But he or she certainly will have to play the nationalist card against Ottawa, demanding more powers. If PQ Leader Jacques Parizeau becomes premier, he already has vowed to have a referendum on Quebec's independence within a year of his election—one that would establish the date for independence. Still, it is possible, even at that point, that federalist forces would win the referendum.



CLEMENT ALLARD

Bourassa' striking at the Bloc Québécois campaign?

It may have occurred to people who have read this far that not one single federal party, among the 165 or 166 in the race, has bothered to publish a booklet outlining its policies on the Quebec question (although Conservative Leader Kim Campbell has spoken in an interview about her attitude to the Bloc Quebecois holding the balance of power—very dim). The silence is in the great tradition of candidates and Canadians sticking their heads in the sand and not talking about important issues—such as free trade, which was barely mentioned in the 1984 election, or the deficit, which received scant attention in 1988. It is a tradition that should stop. When the television debates take place, all candidates should be required to confront three important questions:

- Would you be willing to make separate arrangements with Quebec that fall within existing constitutional powers (i.e. no approval of other provinces required)?
- If the PQ won a sovereignty referendum, would your government negotiate terms of sovereignty with the duly elected government of Quebec?
- If not, how would your government secure assets of the Crown and protect the interests of the Canadian federation?

And that is not even touching the hot potato of what to do if Lucien Bouchard's Bloc wins 40 to 60 seats. There is speculation that Bourassa intentionally stepped down in the midst of a federal election to strike at the Bloc campaign—a uniquely Canadian affair in which Bouchard seeks to promote Quebec independence through election to Parliament. That, of course, only fulfils comedian Yvon Deschamps's hilarious line in the mid 1970s about how Quebecers want "an independent Quebec in a strong, united Canada."

Robert Lewis

Maclean's

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LETTERS

No laughing matter

The illustration on the cover of your Sept 13 issue ("Ready, set, go!") of the five prime ministerial candidates is expressly appropriate why are these people *not* smiling?

Robert Nemeth,
Calgary

Yes Canadians are grumpy about the election We told politicians in the referendum that we did not want them running our country with their outdated, divisive and confrontational system We told them that a suitable replacement would be a constituent assembly We have been ignored There should be a slot on the ballot—a form of protest vote marked "I favor a Canadian style constituent assembly over the British-style House and Senate "

Bob Bowley,
Peterborough, Ont.

Your cover contains several timely articles, with details on five of the parties including even a party whose objective is to destroy Canada's political structure There are, however, only two references to Mel Hurtig and his newly formed National party This does not seem unusual for even in this professed democratic country, Mr Hurtig has found it necessary to appeal to the courts to enable him to participate in a televised debate with other leaders.

Fenton Crosman,
Ottawa

Absolutely no mention was made of the Christian Heritage Party in your cover story During the 1988 election, the party ran 63 candidates with at least one in each of the 10 provinces and acquired nearly the same percentage of the popular vote as the Reform party, which ran 72 candidates only in Western Canada I strongly believe in honesty and fairness, and this arbitrary exclusion is frightening

J R Botta,
St John's Nfld.

Diana who? Not me I don't own an art gallery And I would not criticize an exceptional woman (who is my wonderful boss) for wearing a "damn grey suit and pearl earrings" ("Dilemma '93") Wrong person!

Diana Lam,
Senior Adviser to the Prime Minister,
Vancouver



LIES PAT ON BY STEWART HERWOOD

Five major party leaders: grumpy and unsmiling

Previous firsts

Dale Stokes president of the Yukon party, disputes the claim that Alexa McDonough was the first female to be elected party leader in Canada ("First women," Letters, Sept 13) He contends that the first elected party leader was Hilda Watson, leader of the Yukon Territorial Progressive Conservative Party in September, 1978 Let's correct the record Therese Casgrain was the first woman to be elected party leader in Canada—for the CCF in Quebec in 1951.

Donald C. MacDonald,
Toronto

Growing enterprise

Reading "Adding spice to the Prairies" (Agriculture, Sept 13) proved to be a heartwarming experience as I read about Canadians who are doing what is becoming a rarity in this country: finding an alternative income Despite a government intent on providing handouts to the unemployed and subsidizing unprofitable crops and soon-to-be non-existent fisheries, these Prairie farmers have confounded all common logic by actually trying to make a living and earning their own keep. Even more remarkable is the simplicity of their solution, provoking many to wonder whether the billions of taxpayer dollars that have been funnelled to farmers through government subsidies were really necessary

Miguel Lepine-Cercone,
Moonstone, Ont.

'Lost all meaning'

Your article "Too few good men" (Canada Sept 13) about our troops in Somalia prompts me to write with a mixed feeling of anger and frustration Overlooked is one of the major recommendations of the board of inquiry, which states that the military command in Ottawa in some kind of formal setting and on a national scale should pay tribute to the regiment for a task well done by all soldiers in the battle group You like almost all other critics, continue to overlook the warning given that this mission was not peacekeeping; instead, it was a kind of armed intervention into a hostile environment of feuding warlords where life had lost all meaning The media continue to focus on five or six soldiers—in my judgment, five or six bad apples do not speak for the quality and calibre of the other 1 000 who performed with exceptional skill

R F Anderson,
President, 1st Canadian Parachute Battalion Association,
Toronto

There are two disgraces connected with Somalia—one is the killing of the Somalis and the other is assigning the peacekeeping role to our soldiers. A policeman is trained to try to settle fights without bloodshed The soldier is taught to kill first, because if he doesn't, the other guy will kill him Let the soldiers do what they were trained to do and are good at and leave the peacekeeping to others

C E Jukes,
Vancouver

'Coat of fear'

Score a 10 for Charles Gordon ("We have seen the enemy—and it is us," Another View, Sept. 13) It is a fair question to ask of ourselves Will we now strip away our exterior coat of fear and self-centredness and resuscitate intelligence, good will and patriotism? Canadians et Canadiens—let's make Oct. 25 a wake-up call

J R Pushman,
Sault Ste Marie, Ont.

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LETTERS

A naïve view

Clearly, Air Canada is using Canada's judiciary not as a means to administer justice but as a device to harass, if not eliminate, a true competitor ("A new war of words," Business, Aug. 30). And to believe that Air Canada's monopolistic intent has Canada's best interests at heart would be naive. In the meantime, politicians quietly ignore the issue. If Canada is going to build its enterprising abilities in world markets, we need companies like Canadian Airlines, which at least has $200 million worth of vision backed by its employees.

Martin J. Doyle, Calgary

Maclean's is perpetuating the myth that "the federal government is trying to steer clear of the dispute" and "Canadian Airlines employees are campaigning to persuade Ottawa to intervene." The people of Canada are already involved in the process, via federal and provincial government-issued lines of credit, loans and other innovative financial assistance given to Canadian Airlines. You can bet your bottom airline points that whatever the merits of the current scenario may be, and by whatever method it is eventually settled, we are collectively deciding whether or not Canada wants or needs a viable Canadian airline industry.

R. B. Lank, Orangeville, Ont.

Lost soul?

As a Canadian who spent close to 10 years living in Israel before moving to the United States, I have found some of your recent issues amusing. First, your cover bewailing pandemic tax evasion in Canada ("Cheaters," Aug. 9). Sure, Canadians pay more taxes than most Americans, but you have medicare and decent beer. And in your Aug. 23 issue, there's the hand-wringing over the CFL's expansion into California and Nevada ("Who speaks for Canada?" Editorial). In Israel, a request from an NBA team to play in the same league as, say, the Maccabi Tel Aviv hoopsters, would have driven the entire country into the streets to dance a month-long hora. Most denizens of a small country would regard the current expansion as vindication of its institutions. But *Maclean's* seems to fear that Canada may soon lose its soul on the playing fields of Sacramento and Las Vegas. Are you kidding?

Sheldon Teitelbaum, Los Angeles

'Crucial questions'

Diane Francis's contention that the mission statement of Canada must be "to create the best climate possible for enterprise and technological innovation" is sadly inadequate ("A mission statement to revive Canada," Aug. 30). It implies the purpose of life is merely to enrich ourselves but ignores the crucial questions of what wealth and human beings are for. Our entrepreneurial endeavor, technological innovation and the wealth they produce must be a means of promoting social justice, peace and freedom. I could embrace such a statement.

Paul Vanderham, Edmonton



CHRIS SCHWAGA/CP PHOTO

Grey Cup celebration: dancing in the streets

One of a kind

Your story on the loss of the Mars Observer misses the real irony of the situation ("Lost in space," Space, Sept. 6). NASA had intended to reduce costs by developing a series of standardized spacecraft. Only mission-specific equipment would differ, but the main systems would be the same. Mars Observer was to be the first of these production-line explorers. But Congress voted down the funds and Mars Observer became another "one of." While very serious questions should be asked about NASA's quality control standards, to suggest NASA has "lost its touch" is too extreme. The fault lies with Congress who decided less was more and forced reliance on a single Cadillac rather than a fleet of Chevrolets.

Peter J. Green, Vancouver



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LETTERS

Simple days

I think that your special report on Newfoundland ("Can the youngest province be saved?" Aug. 23) was superb. I particularly commend your choice of pictures, which reflect the sheer beauty as well as the unique culture of our province. And especially moving is the innocence, trust and faith shown on the face of the small boy from Trouty, Trinity Bay, whose dreams will be shattered and whose experience is now only a memory of the past. I know because I too have sat in rubber pants and dangled my feet in an open fishing boat similarly loaded with cod. It is nothing short of a tragedy that the simplicity of such a way of life should pass forever.

Domino Howse
St. John's, Nfld.

For the same reason economist Parzival Copes moved to Burnaby, B.C., from St. John's, Nfld., we stay! He talked of a simple lack of resources to sustain our population. I talk of a simple, sane life to sustain our population. Go see the fog skulking in over the breakwater, feel the wind crammed full of sea salt, take a walk 'over 'round shore" to a house of a friend, whom you've known since birth. Leave Newfoundland! Sap my mind, my strength, my blood, but leave me bide in Newfoundland.

Sally Johnson Layte,
Bay Roberts, Nfld.

Fashion statement

Most teens do dress this way ("Kids, clothes and conformity," Lifestyles, Sept. 6), but I would like to add a few things. They spend up to $700 for a single set of clothing. As I am typing this letter, I am wearing a White Sox jersey ($75), Point Zero jeans ($75), a Guess undershirt ($45) and my fullback Raiders hat ($30). Gee, that's $225 right there, not including my underwear of course. I'm going out today and I will lace up my Dr. Martens shoes ($120 and I did say lace up) and put on my $70 jacket. That equals $415. And that's nothing because I'm not wearing my good jacket and jeans. I wear Sung cologne that costs $60 a bottle. We use canvas bags here in Calgary because leather tends to freeze. My friends wear Rolex, Gucci and Swatch watches. And those jeans in the picture aren't baggy, trust me. You should have gotten a real "hip-hopper" to show you what teens dress like.

Lucas Kenward,
Calgary

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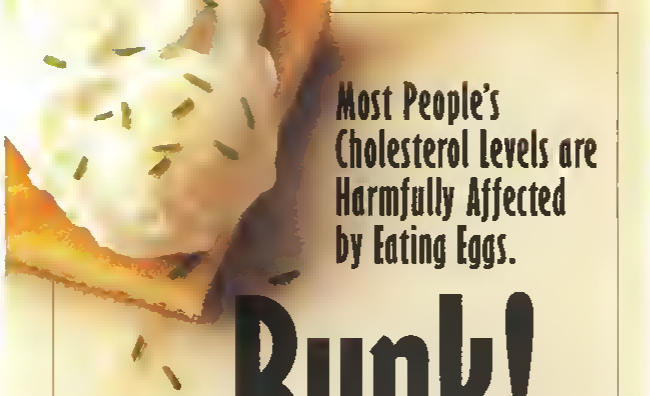
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OPENING NOTES

SAUCE FOR THE GOOSE

Conrad Black's candid, though uncritical, account of his first 49 years is expected to be one of the hottest books of the year. But despite the autobiography's best-seller potential, Gordon Platt, publishing officer of the Canada Council, says that the publisher of *A Life in Progress*, Key Porter Books in Toronto, remains eligible for a federal grant of up to $3,000. "We would not want to eliminate support for a book just because it is written by someone who is wealthy," said Platt. "We'd consider supporting a book written by Mr. Black, just as much as we would one written by someone who is homeless in Vancouver." Indeed, an acknowledgment at the front of the book's galleys thanks the Cana-



BRIAN WILLER/MACLEAN'S

Black: 'the propagation of socialist rap'

da Council for its support. But when asked about that by *Maclean's*, publisher Anna Porter said that the acknowledgment was a "typo" and that she will not apply for a Canada Council grant. Perhaps that is just as well, given what Black has to say about the council some 400 pages later. He criticizes a grant that he alleges the council gave to Linda McQuaig, a Toronto writer who is an outspoken critic of tax breaks for the wealthy. "The Canadian system," writes Black, "still provides a safety net for the propagation of socialist rap." That, however, turns out to be a bum rap. McQuaig has never received a grant from the Canada Council and her publisher, Penguin Books Canada Ltd., is partly foreign-owned—and therefore not even eligible to apply for one. Call it groundless, and grandiose.



COWLEY COOPER/STAR

Smith, Lawson; Hryciuk: allegations of a kiss and a suggestive light switch

WORD FOR WORD

A JUDGE ON TRIAL

At a hearing in Toronto last week, Ontario Court Judge Walter Hryciuk responded to allegations of sexual harassment and assault from two women Crown attorneys. The charges: that the 58-year-old judge forcibly kissed Kelly Smith, 30, on Jan. 18, 1992, and that five years ago, in his chambers, he showed 32-year-old Susan Lawson a suggestive light-switch plate depicting a semi-naked man with the switch placed between the character's legs. Excerpts from the testimony:

Smith: I was humiliated and mortified. ... All I could see was the red lipstick on this old man's face. ... He said, 'Give me another kiss.' It was very pitiful. An old man begging for a kiss. ... I just felt so dirty because his tongue had been in my mouth.

Hryciuk: I kissed her in the same fashion as I kiss my daughter or son. It was a natural reaction to someone I consider a good friend. ... I share people's happiness and I share people's sorrow. If I like the person or respect the person, I will kiss them.

Lawson: [He said], 'Miss Lawson, you can flick my switch anytime.' ... It hit me what he was saying—he was referring to a man's penis.

Hryciuk: I have substantial difficulty believing that she would have the emotional reaction that she did five years later. ... Perhaps she's thinner-skinned than someone else. I don't know. She is a Crown attorney. ... I have no intention of ever causing anybody any offence. I like people. I enjoy people. I'm not a mean person. I like to quip. I tell jokes.

BEST-SELLERS

FICTION

1. **The Golden Mean,** *Nick Bantock (1)*
2. **The Bridges of Madison County,** *Robert Waller (2)*
3. **Without Remorse,** *Tom Clancy (3)*
4. **The Client,** *John Grisham (10)*
5. **Griffin & Sabine,** *Nick Bantock (4)*
6. **Virtual Light,** *William Gibson (5)*
7. **Sacred Clowns,** *Tony Hillerman*
8. **Like Water for Chocolate,** *Laura Esquivel (6)*
9. **Paddy Clarke Ha Ha Ha,** *Roddy Doyle (8)*
10. **The Night Manager,** *John le Carré (7)*

() *Position last week*
Compiled by Brian Bethune

NONFICTION

1. **Peacekeeper,** *Lewis MacKenzie (2)*
2. **Ageless Body, Timeless Mind,** *Deepak Chopra (1)*
3. **SeinLanguage,** *Jerry Seinfeld (4)*
4. **Women Who Run with the Wolves,** *Clarissa Pinkola Estés (3)*
5. **Faultlines,** *Jeffrey Simpson (6)*
6. **Black Holes and Baby Universes,** *Stephen Hawking (10)*
7. **The Glitter Girls,** *Rosemary Sexton (7)*
8. **Maybe (Maybe Not),** *Robert Fulghum (5)*
9. **The Great Reckoning,** *James Dale Davidson and Lord Rees-Mogg (9)*
10. **An Unfinished Conversation,** *Chris Cudgeon (8)*

LOONIE TUNES

The National Basketball Association's expansion committee is listening to Canadian applicants this week, and so far it likes what it hears. Three Toronto groups and another from Vancouver are making formal presentations at the league's offices in New York City, and a decision is expected in November when the committee reports to the full NBA board. The league had not planned to expand so soon, but it reconsidered when it saw how one baseball team—the World Series-winning Toronto Blue Jays—had been able to tap Canada's rich sports market. The NBA was also impressed by the Canadian bidders' ability to pay. The Vancouver bid is backed by the Griffiths family, which owns the hockey Canucks and Western International Communications. Backers of the three Toronto groups include banks, breweries and celebrity retirees such as former Ontario premier David Peterson and basketball superstar Magic Johnson. The competition has reportedly blown the lid off the previous franchise sale price: while Orlando and Minnesota paid $40 million each before joining the league in 1989, a Canadian franchise will likely go for up to $125 million. "When you add the cost of building a new stadium," speculated Bill Wilkerson, spokesman for Toronto's Palestra Group, "you are talking about an investment in the neighborhood of a quarter of a billion dollars." As they now say in the NBA, there is a Canadian born every minute.



REUTER

Johnson at the 1992 Tournament of the Americas: deep pockets

A dip in two pools

Few things rankle voters more than double-dipping, the practice whereby politicians receive a government pension while earning a salary from another publicly funded job. For that reason, former Alberta provincial Tory Ray Speaker's plunge into federal politics as a Reform party candidate could stir controversy. Speaker, 57, who already collects an annual pension of $61,629, to which he contributed during his 29 years in the Alberta legislature, stands to boost his income by another $88,100 of combined salary and tax-free allowances should he win the riding of Lethbridge on Oct. 25. "The Alberta plan and the MPs' plan are far too rich, and the taxpayer is supporting them both," says Jeffrey Ball, spokesman for the National Citizens' Coalition, an advocacy group that campaigns against government waste. Speaker counters that his own survey of 100 people in the riding found no objections to his collecting cheques from two levels of government, and that voters applauded his pledge to never collect a federal pension and to reduce MPs' salaries. "I am acting as responsibly as I can," he told *Maclean's*, "under the circumstances."

Guess who's coming to dinner

In Washington, making the A-list of desirable dinner guests is a sign of power. But for Robert MacNeil, who appeared on a list published in the September issue of *The Washingtonian* magazine, it can also be a sign of confusion. "I hardly ever get invited to those things," says MacNeil, a New York City resident and co-anchor of *The MacNeil-Lehrer Newshour*. MacNeil's business trips to the U.S. capital are often brief affairs, although he might linger for a free meal at the home of colleague Jim Lehrer, also on the A-list. Says MacNeil, who spends most evenings at home with his wife, Donna, "We are not very social." In that sense, the veteran newsman, who grew up in Halifax, fits right in with another Canadian on *The Washingtonian*'s list of best guests: John de Chastelain, Canada's staid and taciturn ambassador in Washington. Party on.



PETER MIEGA/MACLEAN'S

De Chastelain: A-list



ERIN EDES/MACLEAN'S

MacNeil: 'not very social'

PASSAGES

DIED: Actor **Raymond Burr**, 76, best-known as the defence attorney who defied all odds to win case after case on the long-running weekly TV series *Perry Mason*, of kidney cancer at his home in northern California. Born in New Westminster, B.C., Burr first won critical praise in movie supporting roles after the Second World War. When *Perry Mason* finished its nine-year run in 1966, Burr went on to star as the police detective in *Ironside* for another eight seasons. Both series continue in syndication. Burr also made 26 sequel *Perry Mason* TV movies, the last of which he completed in August.



DEL MALKIN/GLOBE AND STAR/PONOPRESSE

DENIED: To **Inderjit Singh Reyat**, 40, the right to appeal his 1991 manslaughter conviction for the bomb explosion that killed two men at Tokyo's Narita airport; by the Supreme Court of Canada. Reyat is serving a 10-year sentence for the June 23, 1985, killings, which took place on the same day an Air India jet, bound from Toronto for London, exploded off the coast of Ireland. No one has been charged in connection with the Air India explosion, which resulted in the deaths of all 329 people on board, most of whom were Canadian.

RECOVERING: Gov. Gen. **Ramon Hnatyshyn**, 59, from an operation to replace his left hip, in Ottawa. The Governor General suffers from a degenerative hip problem and previously had surgery to replace his right hip. He will convalesce until early October at the Citadel, his official residence in Quebec City.

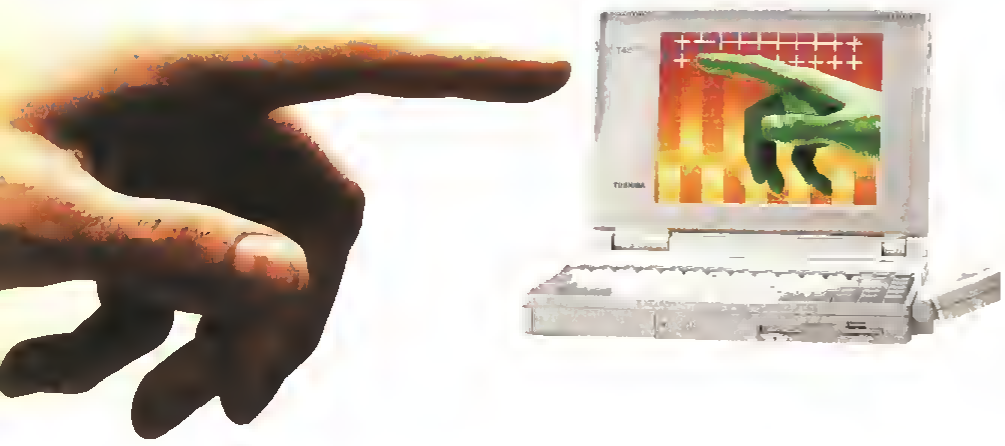
DIED: International human rights scholar and Ontario Court of Appeal Judge **Walter Tarnopolsky**, 61, suddenly, of undisclosed causes after returning home to Toronto from a lecture tour in South Africa. A former president of the Canadian Civil Liberties Association, Tarnopolsky wrote widely, including three books on human rights.

DIED: Longtime billiards wizard **Willie Moscom**, 80, of a heart attack, in his Haddon Heights, N.J., home.

MARRIED: Academy Award-winning actress **Loretta Young**, 80, and **Jean Louis**, 85, who in 1956 also won an Oscar, for costume design.

DIED: Conductor **Erich Leinsdorf**, 81, former music director of the Boston Symphony and Cleveland orchestras, of cancer, in Zurich.

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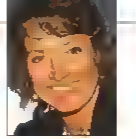
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COLUMN



The perils of electing a new government

BY DIANE FRANCIS

Canadians are like shareholders in a gigantic $700-billion-a-year conglomerate. On Oct. 25, they will once again have an opportunity to choose their next chairman and board of directors. Unfortunately, Canada Inc. is a company with great assets but too many debts. And as obligations—the total government debt—pile up at the rate of more than $1 billion more per week, Canada's shareholders had better ensure that they elect a board of directors that lenders will respect. That is because we have racked up $630 billion in provincial and federal government debts and by doing so forfeited total freedom to elect whomever we want. Lenders cannot veto our choices, but they certainly "vote" with their wallets after results are in. And Canadian voters who totally ignore the debt issue and vote for spendthrift politicians will imperil the nation.

A disaster formula—Canadian voters who totally ignore the debt issue and vote for spendthrift politicians will imperil the nation

Canada is in debt trouble unless politicians stop overspending. Besides getting $1 billion deeper in debt each week, we are borrowing much of this money from foreigners—and in foreign currencies. This is a formula for disaster.

Here's the nub of the problem: if governments are paying an average of eight per cent interest on the country's collective debts of $630 billion, then the debt will almost double to $1.3 trillion in just nine years, even if governments are able to run balanced operating budgets throughout the decade. But when you add to the total another $55 billion or so in estimated government deficits this year and even more in future, it's obvious that the debt figure will double sooner than 2002. If interest rates climb, debts will grow more quickly too.

As for the country's rich asset base, government policies have decreased its value by imposing restrictions on resource exploitation and higher taxes on businesses and individuals, forcing up wages and prices beyond competitive levels.

The first alarm about Canada's looming debt crisis was sounded last month in the influential *Economist* magazine, which warned foreign investors: "The markets are taking a lot on trust in believing [Canadian] politicians' promises to keep budget deficits under control. If those promises are broken, investors who have so eagerly bought Canadian government bonds, whether federal or provincial, without worrying about credit risk, could find themselves regretting it."

So what do lenders want? A stable, majority government that will balance the budget, will rein in the profligate provinces by refusing to crank up the printing presses and will, if necessary, impose higher taxes. How this is done, or who does it, matters little to lenders. They just want what any other lender, or investor, wants to be able to lend money with as little risk as possible at the greatest rate of interest. And if Canada looks like a bad bet, lenders—both Canadian and foreign alike—will simply loan their hard-earned cash to some other nation-state with a rosier credit rating.

And what is certain to make lenders head for the hills—or hold out for higher interest rates because of higher risks—would be the election of a large number of Bloc Quebecois seats. That would spark a spate of news stories around the world, mostly inaccurate, about the impending breakup of Canada with the accompanying concern as to who would pay what debts and when.

Also worrisome to many lenders would be an inconsequential election outcome with four or more parties with blocks of seats and little possibility of forming a workable coalition. This would mean instability and another election call, possibly within months.

Voters should also be wary of Liberals or NDPers, who would spend us poor in a misguided effort to create jobs. The only jobs their schemes would create would be temporary ones dependent upon public works projects paid for out of the hides of Canadians in the private sector, many of whom have lost their jobs partly due to such needless public sector spending. The only real job creation policy that ever works is in countries where taxes are low and where wealth creation is rewarded and encouraged, not taxed and hobbled with needless regulations or restrictions.

Like any board of directors that ignores the market realities, Canada's conglomerate in the wrong hands would be driven quickly into the proverbial ground. Despite such facts, only the Tories and Reformers believe deficits are a priority problem. The rest must think Canada will always be able to borrow money, or that it will be able to simply crank up the printing presses to pay for their profligacy. They don't understand that the only reason the world has supported our bad spending habits is because we have given lenders a slightly better rate of interest on their loans than they could get in the United States with what was considered, until recently, the same amount of risk.

But that's changing as Canada's condition deteriorates dramatically year after year. In early August, Canadian short-term treasury bill interest rates drifted downwards near enough to U.S. treasury bill levels that money streamed out of riskier Canada to the United States. This heavy selling was halted by the Bank of Canada, which quickly pushed up short-term rates, nearly doubling the spread against three-month U.S. treasury bills. Such relatively high rates of interest put Canadian businesses at a disadvantage vis-a-vis their American rivals.

August's run on the Canadian dollar simply underscored how this country has lost much of its freedom to manoeuvre, either politically or monetarily, given our huge foreign indebtedness. And every day, our deficits further erode our sovereignty. That is why we cannot elect leaders who would spend more or tamper with the independence of the Bank of Canada in order to print more money. That won't fool lenders owed $200 billion. Printing more money simply dilutes the value of the money they will be paid back with, leading them to bail out or demand an extortionate interest rate. So like it or lump it, lenders cast a longer shadow over this election than ever before in the country's history. And Canada's shareholders ignore this at their own, and Canada Inc.'s, peril.

SEARCHING FOR SIGNS OF HOPE



Campbell in High River, Alta., last week: insiders complain that she lacks solid advice

THE TORY TROOPS ARE NOW SCRAMBLING TO STRENGTHEN A LACKLUSTER AND CHAOTIC CAMPAIGN

Marc Porter is an undecided voter—but he is decidedly unimpressed with the two major federal parties. An executive with a Halifax-based insurance company, Porter believes that Liberal Leader Jean Chrétien "is dreaming" when he promises to bring back the "good old days" of low unemployment. And he has concluded that Prime Minister Kim Campbell has little sympathy and no solutions for the plight of the jobless. "I am concerned that things will get worse before they get better," Porter, 38, says bleakly. "The only thing that I can hope for is that there is no further deterioration."

Such profound despair has shaken federal politicians—and it has turned hope into the central theme of the Oct. 25 federal election. Although the two major parties are peddling radically different approaches for troubled times, each is attempting to position itself as the source of economic salvation. The Conservatives offer a muted, harshly disciplined message, eschewing job-creation schemes as costly and unproductive, the party promises to eliminate the deficit within five years and to create a stable climate for business. "Campbell is saying things that may not be very palatable," says Paul Curley, the Tories' Ontario campaign chairman, "but she has the resolve to ensure that Canada continues to offer hope." The Liberals, in contrast, released their entire 112-page platform last week in an effort to prove that an activist government can create jobs without increasing the deficit. The platform outlines 20 programs, including an apprenticeship scheme, and then itemizes spending cuts to pay for those programs. Said Chrétien: "This plan is a realistic plan to create realistic hope" (page 16).

In dramatically different ways, therefore, both parties have broken with tradition. But in so doing, they have taken enormous risks. The Liberals' decision to release their entire program early in the campaign has given their opponents an obvious target. So far, their shots have largely missed—although the potential for trouble remains. The Liberals are vulnerable to charges that they would do too little to control the deficit because they are relying on the federal budget's overly optimistic predictions of economic growth to increase revenues. But they have largely dodged the dangerous label of big spenders.

The Conservatives, who had hoped to portray the Liberals as old-style, free-spending profligates, have now been forced to confront looming problems with their own strategy. Determined to make voters forget their dislike of former prime minister Brian Mulroney, the party set out to portray Campbell as a competent, modern leader for changing times. That leadership-centred approach could falter, however, if the Tories fail to demonstrate substance. Their position is precarious. Campbell has refused to say how she would fulfil her major economic promise to cut the deficit—and she has outlined few examples of innovative policies for Canada's economic woes. Voters could decide that the Conservatives' prudent "stay the course" strategy simply means that their government would do nothing to restore prosperity.

As a result, the Conservatives are hastening to strengthen what has proven so far to be a surprisingly lackluster and disorganized campaign. After intensive meetings last week with party pollster Allan Gregg, insiders decided not to tamper with Campbell's central message against government intervention. "Our strategy is working," a senior Tory adviser insisted. "People understand that the old ways don't work." The Tories are scrambling, however, to support that message with new policies that offer some measure of hope to workers and businesses.

Their task has been complicated by the campaign's startling inefficiency. Insiders complain that the campaign team lacks solid and innovative policy advice—and that electoral events are often disorganized. For example, Tory aides worked for 24 hours straight last week to compile a list of Liberal promises—and to slap a price tag on those promises. But the resulting document was riddled with arithmetical mistakes and intemperate assertions. Similarly, routine events such as the release of media statements are often haphazard. In response, some strategists are criticizing each other—and some are even blaming popular campaign co-chairman John Tory.

The Liberals, in contrast, have dealt deftly with most of their problems. Party polls indicate that voters view Chrétien as far less competent than Campbell. As well, the Liberals left office in 1984 with a reputation as the party of pie-in-the-sky megaprojects and large deficits. By releasing their platform, the Liberals were hoping to demonstrate that Chrétien is both competent and fiscally responsible. "The issue of hope is critical," said Liberal strategist Michael Robinson. "If this program is perceived as being how governments behaved 20 years ago, then the Liberals will pay a significant price for saying they are interventionist. Our challenge is to explain that this is a real choice to bring about sustained economic growth—and not one that will bankrupt the country."

The Liberal platform is the product of two years of internal wrangling between big spenders who wanted to increase the deficit—an estimated $32.6 billion in 1993-1994—and moderates who argued that deficit reduction was too important to be ignored. The fight was scathing. The spenders demanded an immediate, comprehensive day care program and more development

Canada Notes

TAINTED BLOOD MONEY
Nine provinces and both territories agreed to offer a $130-million compensation package for people who contracted the AIDS virus from contaminated blood between 1979 and 1985. Every province except Nova Scotia, which announced its own compensation package in April, agreed to pay $30,000 annually to about 1,000 tainted-blood victims for as long as they live—on condition that they waive their right to sue for damages. One day later, federal Health Minister Mary Collins announced a federal-provincial inquiry into the tainted-blood controversy.

A PREMIER'S CONFESSION
Acknowledging that "we've made our share of mistakes," B.C. NDP Premier Michael Harcourt fired three cabinet ministers, shuffled the portfolios of several others and elevated three backbenchers to cabinet. Harcourt accepted a large part of the blame for his government's dramatic slide in popularity since the NDP won a landslide victory in October, 1991. Conceded Harcourt: "I must provide more direct, focused leadership."

RELIEVING A COMMANDER
With an investigation into a March 4 incident in which a Somali man was killed by Canadian soldiers reaching its final stages, Lt.-Col. Carol Mathieu was relieved of his duties as commander of the Canadian Airborne Regiment. Mathieu led the Airborne Regiment during its peacekeeping tour in Somalia from December, 1992, until July, 1993.

AVERTING A STRIKE
A last-minute settlement between Chrysler Canada Ltd. and the Canadian Auto Workers union prevented a strike by more than 10,000 workers at six Ontario assembly plants. Bucking the restraint-minded trend of recent labor settlements, the three-year deal provides for a 4.5-per-cent wage increase, improved pension benefits and the creation of 600 new jobs.

GUILTY AS CHARGED
Andre Charbonneau, 61, a Christian Brother at the now-closed St. Joseph's Training School for Boys in Alfred, Ont., pleaded guilty to 17 criminal charges, including sodomy, indecent assault and assault causing bodily harm. Of the 20 brothers charged in 1991 with abusing students at the school, Charbonneau faced the largest and most serious list of counts. He is to be sentenced on Dec. 10.

funds for economically depressed regions such as Atlantic Canada. The moderates, with Chrétien's quiet support, insisted that each new program must be carefully costed—and that each new expense should be offset with corresponding cuts. The moderates won, largely because most Liberals realized that the voters would no longer believe costly, elaborate promises.

Still, the resulting document has several significant flaws. It does not spell out its spending cuts in detail. And its calculations are based on predictions of 4.6-per-cent real economic growth in 1994 and 4.3 per cent in 1995. Such strong increases would boost federal tax revenues, thereby narrowing the gap between what Ottawa takes in and what it spends. But most private economists now believe that growth will reach only three per cent in 1994. Says Ranga Chandra, senior economist at Burns Fry Ltd.: "The Liberals are mostly counting on strong economic growth to alleviate the country's debt problem. Markets are skeptical of this approach simply because it has not worked in the past and there is no reason to expect that it will work in the future."

Even so, the document left little for the Conservatives to criticize. Campbell could hardly attack Chrétien's proposed spending cuts as vague when she herself has refused to explain how she would attack the deficit. Similarly, the Tories are hard-pressed to dismiss the Liberals' deficit-reduction plans as unrealistic given that the Liberals based them on the government's own rosy predictions about growth.

As the parties entered the third week of the seven-week campaign, the election remained a tight race between Liberals and Conservatives. Although the Liberal platform emerged relatively unscathed, it will take more than that document to restore the party's reputation for competence. And although the Conservatives are temporarily foundering, it will take more than a week to erode their leader's strong appeal. The next few weeks will be crucial. As former NDP federal secretary Gerald Caplan mused: "If somebody could reflect modest hope, but without unrealistic expectations, that might tap a mood in the electorate. That is a very difficult formulation, and so far nobody has quite got it." That is exactly what voters such as Marc Porter want to tell their politicians.

MARY JANIGAN *with* **E. KAYE FULTON** *in Ottawa and* **JOHN DeMONT** *in Halifax*

'Nice try, but. . . .'

The Liberals chart a cautious course

The assessment of a dozen Canadian business leaders invited by the federal Liberal party to a private breakfast in Ottawa last week was blunt: Nice try, but not good enough. At each place setting was a copy of the Liberals' 112-page election platform, titled "Creating Opportunity." Most of the participants found something to praise in the 20-point Liberal plan. In particular, they lauded the promise to chop $7.1 billion in federal government spending by 1998. As Thomas D'Aquino, president of the Business Council on National Issues, told Montreal MP Paul Martin, co-chairman of the Liberal platform committee: "The innovative ideas reflect that the party is in touch with the economics of the 1990s." But D'Aquino and his counterparts from the business world were less enamored of the Liberals' proposals to spend $5.3 billion on job-creating projects over the coming four years. Said D'Aquino: "The issue is, how are you going to pay for this?"



Chrétien and wife Aline: hedging bets

The Liberal platform charts a cautious middle course between the party's activist inclinations and the restraint necessitated by a debt-ridden federal treasury. There are promises to stimulate medium-size businesses, create 150,000 new child care spaces and to employ 10,000 young Canadians a year in environmental and community programs. But the Liberals are hedging their bets: most of the promises are conditional on provincial co-operation and a stronger economy. As well, the Liberals are targeting cuts that hurt the public least, including a $2.3-billion reduction in spending on consulting services. According to a number of leading businessmen and economists interviewed by *Maclean's* last week, the Liberal plan is flawed in several areas. These include:

Jobs: The Liberals say that they can jumpstart the economy with a $6-billion public works program to renew Canada's waterworks, roads and sewers. Municipal and provincial governments, which would share equally in the costs over two years, lobbied hard for the plan. But business leaders say that Canada cannot afford such schemes.

The deficit: The Liberals promise to reduce the $32.6-billion deficit over three years from 5.2 per cent of gross domestic product to three per cent. But some economists say that the Liberals should take into account the combined federal and provincial debt load of $630 billion—a figure that represents more than 90 per cent of GDP. In those terms, Liberal cost-cutting plans are minuscule.

Spending cuts: The defence department bears the brunt of Liberal cost-cutting. The cancellation of the 13-year, $5.8-billion program to buy 50 EH-101 military helicopters is expected to save $2.3 billion over the first four years. That takes into account the $500 million that Ottawa would have to pay to cancel two signed contracts and to upgrade 12 aging Labrador search-and-rescue helicopters. But there are other losses that must be taken into account, including the elimination of 3,400 high-tech jobs over 13 years.

The GST: The Liberals say that they will replace the seven-per-cent Goods and Services Tax, although they decline to say how they would replace it. The main advantages, they say, would be less paperwork and more harmonization of federal levies with provincial sales taxes. The main beneficiaries would be businesses and tax collectors. Taxpayers, by contrast, would still have to cough up the $15 billion a year now generated by the GST.

NAFTA: Business leaders generally agree with the Liberals' call for stronger antidumping rules in the proposed free trade agreement with the United States and Mexico. But they are wary of the Liberals' threat to scuttle the deal if concessions are not forthcoming. Scrapping the deal, they say, could plunge Canada into even greater economic chaos.

E. KAYE FULTON *in Ottawa*

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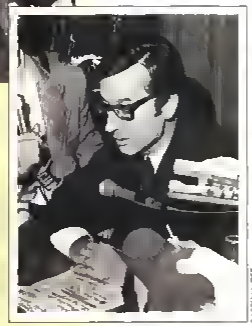
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CANAPRESS



BARRY MCGEE



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Bourassa celebrating his first victory as provincial Liberal leader in the 1970 election (top), joking with Young Liberals in 1972 (left), after losing the 1976 election (right): a life in politics

Bourassa's legacy

Quebec federalists are losing a powerful voice

In the end, there were tears. They were shed in private, of course, in keeping with the cool and controlled public persona that Robert Bourassa has so carefully crafted over the long course of his political career. But they flowed copiously, nevertheless, when the 60-year-old Quebec premier gathered the members of his Liberal party caucus in a Quebec City hotel ballroom last week to confirm months of speculation by announcing his resignation. "There was not a dry eye in the house," Cultural Affairs Minister Liza Frulla-Hebert later confided. Even Bourassa was moved, enough to drop his mask for a moment. "We bawled the both of us," confessed Agriculture Minister Yvan Picotte, recalling a parting embrace with the premier. "You don't often see Bourassa bawl, but I saw him bawl that time."

For a man who has come to epitomize passionless politics, it was a remarkable farewell. Throughout a quarter of a century of public life, Bourassa has recoiled in horror from all manner of public emotion. He summed up his credo a year ago, when he dismissed a question about his continuing battle with skin cancer by declaring that he had "not been elected to pour out the state of my soul." That attitude has guided his career, producing a pragmatic, cautious, even colorless approach to politics. It has sometimes earned him contempt. More often, it has inspired grudging respect. Only recently has it won Bourassa affection of the sort that was on display last week in Quebec City.

The Liberals' tears may have been prompted as much by their bleak electoral prospects as by the impending loss of a widely admired leader. The Liberals now hold 87 seats in Quebec's National Assembly, compared with 33 seats for the Parti Québécois and three for the Equality party. But with a provincial election looming in 1994, the Liberals and the PQ are running neck and neck in the polls. What is more, Bourassa has groomed no obvious successor. The leading contenders from inside the party—Treasury Board president Daniel Johnson, Industry Minister Gérald Tremblay and Education Minister Lucienne Robillard—have so far failed to ignite much enthusiasm. In the search for a promising leader, party organizers have approached several high profile outsiders, including Deputy Prime Minister Jean Charest and Yves Fortier, Canada's former ambassador to the United Nations. For now, at least, each is staying on the sidelines.

Beyond the partisan political calculations, there are compelling reasons why those who are concerned about the future of the country will regret Bourassa's exit. When he hands over power to his successor early next year, Canadian federalism will have lost a powerful voice in Quebec. While there may have been doubts about the Quebec premier's constitutional preferences in the past, his forthright defence of a united Canada in last year's constitutional referendum clearly established his federalist credentials. Last week, he reiterated his own—and his party's—commitment to Confederation. Declared Bourassa: "I have never been able to conceive how Quebec could profit by dividing Canada into three parts."

Bourassa's concerns about the strength of the separatist movement almost certainly influenced the timing of his announcement. Since his return to power in 1985, the premier has skilfully piloted his province through a succession of constitutional negotiations and controversies over language laws. The fact that Bourassa's steady hand will no longer be on the tiller will likely prompt some voters to reconsider their support for the separatist Bloc Québécois. A poll taken between Sept. 8 and 14 by ComQuest Research Group for *The Globe and Mail* indicated that the Bloc enjoyed the support of 40 per cent of decided voters in Quebec, compared with 32 per cent for the Tories and 20 per cent for the Liberals. If that pattern held through election day, computer projections suggest, the Bloc would win 61 seats, compared with nine for the Tories and five for the Liberals. "He's been a familiar, reassuring presence for a long time," noted one former member of the premier's entourage. "He might be trying to remind people that he's no longer going to be there to protect them from their own mistakes."

Bourassa himself dismissed such speculation. He insisted that his decision was a re-

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sult of increasing pressure from family members—who had urged him to retire from public life because of his continuing battle with skin cancer. In fact, the premier told reporters that he had made up his mind last summer to step down but had been busy "negotiating extensions" with his family ever since. Still, Bourassa rarely makes any significant decision without carefully weighing all of the political ramifications.

Whatever the immediate impact of his resignation, Bourassa is not likely to be soon forgotten. He has been a dominant figure in Quebec—and Canadian—politics almost from the moment he emerged from near obscurity in 1970 to become, at 36, the youngest premier in Quebec history. During his first two terms in office, from 1970 to 1976, his government introduced provincial medicare, legal aid and a publicly funded dental plan for children. It was Bourassa's administration that conceived and launched the first massive schemes to harness the hydroelectric power of James Bay. It was Bourassa's government that first introduced restrictive language legislation that produced howls of protest among English-speaking Canadians. And on a darker note, it was Bourassa who presided over the 1970 October Crisis, the separatist uprising that left him looking weak and ineffectual when he asked for invocation of the federal War Measures Act.

When René Levesque's Parti Quebecois swept in to power in 1976, Bourassa was hounded not only out of office but right out of the country. Described by a colleague at the time as the "most hated man" in the province, he fled to Europe. His political resurrection in 1985 has become legend in Quebec.

Despite his many achievements, it was only when cancer struck in the late summer of 1990 that Bourassa managed to win a place in the hearts of his fellow Quebecers. The shift in public attitudes began when voters learned that the premier had endangered his own life by postponing his treatment to stay at his post during that summer's tension-charged standoff between Mohawk Warriors and police in Oka, just west of Montreal. Gradually it dawned on most Quebecers that they had grown to like, and not merely respect, the austere politician with the slight stoop and crooked smile. Unlike the members of the Liberal caucus, they may not be moved to shed a tear for his departure. But they will almost certainly miss him.

BARRY CAME *in Quebec City*

A political sphinx



BACKSTAGE OTTAWA

By Anthony Wilson-Smith

"A week is a long time in politics," begins Robert Bourassa's favorite quote by his political hero, former British prime minister Harold Wilson. "And a year is an eternity." Perhaps that is why, since he first entered politics in 1966, Bourassa never left his all-consuming interest far behind—even on vacation. As premier in the early 1970s, he and his wife, Andree, once took a trip to Paris. Upon arrival, Bourassa promptly arranged for daily delivery of the Quebec newspapers, and skipped dinner engagements to read them. In the early 1980s, before his political comeback, Bourassa met for dinner in London with an old friend, Montreal lawyer James Robb. The next day, Bourassa told Robb, he was going to change his travel plans and fly to Norway because, he confessed sheepishly, "They have an election in two days, and I want to see it." In 1986, shortly after his return to office, Bourassa sat one afternoon in the backyard of his Outremont home, chatting with a visiting reporter. He had just returned, said Bourassa, from a "particularly enjoyable" vacation in Europe—spent "visiting most of the different legislative buildings."

Canadians who still love politics as a spectator sport will miss Robert Bourassa almost as much as he will miss politics. He leaves, ironically, at a time when his modest personal lifestyle has never been more in keeping with the desires of a jaded electorate. Bourassa, born in Montreal's lower-income-level east end, paid his own way through school in a manner familiar to millions of people. One reason that he looks like a bank teller may be that he was one, for three summers, while a student. At other times, he was a toll taker on the night shift on a Montreal bridge, and also worked in a textile plant.

For the first year after Bourassa became premier in 1970, he continued to stay in a $9-a-night hotel room in Quebec City. After he was re-elected premier in 1985, he stayed in a decidedly modest hotel in suburban Ste-Foy. He did so because it had a swimming pool for his daily workout—and because the owner had remained loyal to him after his humiliating defeat in the 1976 election. He only moved out after repeated pleas from the provincial police providing security. Similarly, Bourassa's home, though in a tony part of Montreal, is modestly decorated, other than several expensive paintings on the walls. His various offices in Montreal and Quebec City are so spare that one friend jokes that they look like "a dentist's reception room." That frugality is by choice. Bourassa's wife, Andrée Simard, comes from one of Quebec's richest families.

Tightly buttoned in public, the private Bourassa is remarkably forgiving and courteous. In 1981, then-leader Claude Ryan publicly rebuffed Bourassa's efforts to return to politics, telling him, "I would rather lose without you than win with you." But after Bourassa became leader, he urged Ryan to stay on, and later made him a senior member of his cabinet. Often, as premier, he personally returned telephone calls from reporters, and each time apologized for any delay in doing so.

Quebecers and other Canadians can—and do—endlessly debate the true nature of Bourassa's politics. He took pride in his ambiguities. Once, recalling a debate in the National Assembly with the Parti Québécois, he said, with a giggle: "The poor fellows couldn't understand why they couldn't pin me down. Don't they know better by now?" As he prepares to leave, it is worth remembering how prominent Liberals first decided he would be a good choice as their leader in 1969. They commissioned an American firm, Social Research Inc. of Chicago, to ask Quebecers what they wanted in a premier. The poll said an ideal leader would be "a good representative of the Quebec people, the kind of man who would be strong enough to deal with Ottawa, the titans of finance, and most aspects of a highly sophisticated world." They decided then that Bourassa fit the bill. Twenty-four years later, he still does. □



Bourassa and wife Andrée: modest



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ISRAEL AND THE PLO SEAL A PEACE AGREEMENT, BUT PALESTINIANS IN GAZA ARE APPREHENSIVE

'ENOUGH OF BLOOD AND TEARS. ENOUGH!'

In the bright sunshine bathing the South Lawn of the White House, the two men squinted at each other across a distance of a couple of metres—and four decades of personal enmity. They listened politely to opening speeches by President Bill Clinton, Israeli Foreign Minister Shimon Peres and Palestine Liberation Organization official Mahmoud Abbas. And they watched intently as Peres and Abbas sat down and signed a Declaration of Principles on Palestinian self-rule in the Israeli-occupied Gaza Strip and West Bank—the biggest breakthrough in Middle East diplomacy since Israel's 1979 peace treaty with Egypt. But after the historic signing last week, Israeli Prime Minister Yitzhak Rabin and PLO Chairman Yasser Arafat stood momentarily frozen on the stage. Clinton then gently nudged Rabin forward to shake Arafat's outstretched hand. And when he did, the audience of 3,000 dignitaries let out an audible sigh, many of them wiping tears from their unbelieving eyes.

The handshake, brief and tentative though it was, symbolized the promise of peace in the troubled Middle East. The speeches that followed made it clear that Israel and the PLO, which only three days earlier had formally recognized one another, were both willing to bury their hate-filled past for the sake of their children's future. Declared Rabin, a former Israeli war hero: "We wish to open a new chapter in the sad book of our lives together, a chapter of mutual recognition, of good neighborliness, of mutual respect, of understanding." Arafat was no less eloquent. "My people are hoping that this agreement which we are signing today marks the beginning of the end of a chapter of pain and suffering which has lasted throughout this century," he said. "Our two peoples are awaiting today this historic hope, and they want to give peace a real chance."

On the day that Arafat shook hands with Rabin in Washington, Hani Arhim visited his younger brother's grave in the centre of Gaza City. Four years ago, Sami Arhim, then 29, was killed by Israeli soldiers. Sami, Hani and another Palestinian had been on Israel's wanted list as members of the radical Islamic Jihad (Holy War)—and they were in hiding. When Israeli soldiers surprised the fugitives in a shack outside of town, Hani surrendered. Sami and the other man jumped out of a window and ran. The soldiers shot them down. Since that day, Hani's mother has not spoken a word, her eerie silence an expression of abiding grief. Hani, now 38, also grieves. And the prospect of Palestinian autonomy brought him no joy because he cannot swallow Arafat's acknowledgment of Israel's right to exist on sacred Muslim soil. "I tell my friends that those who lie under the ground condemn Arafat," said Hani. "This is not a peace between the people, but a peace between the leaders."

Five minutes' drive away through the Third World squalor of Gaza City, with its overflowing sewers, rutted roads and stinking uncollected garbage, another mother, Faikhi Nofel, mourns another son. Naim Nofel was 17 in 1989 when he and his friends pelted an Israeli petrol tanker with rocks on their way to school. A security guard opened fire and Naim, the eldest of Faikhi's nine children still living at home, died on the spot. His photograph sits in a silver frame on a shelf between a pair of stuffed eagles. But the first thing one sees upon entering the family's one-storey house is a poster of a beaming Arafat in his black-and-white checkered *kaffiyeh*. "I think Arafat did the right thing," said Nofel, 45. "God willing, the sacrifice of my son will not be in vain." She added: "I shall always feel sad about losing my son, but I hope things are going to be better now. It's a question of how the Israelis deal with us."

Local Palestinian journalists estimate that 40 per cent of the Gaza Strip's 720,000 Arabs support Arafat's mainstream Fatah nationalist group and the peace agreement. Another 20 per cent back the rejectionist Hamas and Islamic Jihad movements, which have spearheaded the six-year-old *intifadeh*, or uprising, in the occupied territories. The rest are undecided.

The residents of Gaza, about 450,000 of them refugees from the 1948 war that followed the partition of Palestine and the creation of Israel, have never ruled themselves. The British drove the Turks out of the 125-square-mile sandy strip on the Mediterranean in 1917 and stayed until 1948. The Egyptians ruled the area for the next 19 years. During the 1967 Arab-Israeli War, Israel captured Gaza as well as the West Bank from Jordan and the Golan Heights from Syria. Now, the Israeli-PLO peace accord gives the long-subjugated Gazans their first chance at self-rule.

It will be a difficult task. The economy of the tiny en-



Rabin (left) and Arafat shake hands as Clinton looks on. Palestinians celebrate the self-rule accord in Gaza (below)—worries that after the occupying army has left, Arab will turn against Arab

PETER MACKAY—BLACK STAR

World Notes

FLORIDA HORRORS

Unknown gunmen killed one British tourist and wounded another at the side of a highway near Florida's capital, Tallahassee. The nighttime attack brought to nine the number of foreign tourists killed in Florida in the past year—and was the second in less than a week. Gov. Lawton Chiles said that he would ask the Clinton administration for a $5.3-million federal grant to extend the state's violent crime task force. Florida attracts some 40 million visitors annually, and the killings threaten its $41-billion-a-year tourism industry.

CANADIAN JURIST PICKED

The UN General Assembly elected Jules Deschenes, 70, a former chief justice of the Quebec Superior Court who led an inquiry into war criminals in Canada, to serve on an international tribunal that will try accused war criminals from the former Yugoslavia. The assembly picked a total of 11 judges needed for the court, which will sit in The Hague.

STRIFE IN GEORGIA

Rival armies in Georgia put aside their differences to defend the threatened city of Sukhumi. They took the joint action after Georgian leader Eduard Shevardnadze warned that Sukhumi could fall to Abkhaz rebels. Earlier in the week, Shevardnadze threatened to resign in a dispute with parliament. But the former Soviet foreign minister reconsidered after legislators quickly bowed to his demands to suspend parliament for two months and give him emergency powers to tackle anarchy in the country.

IN FROM THE COLD

After 23 years in hiding, a 1960s anti-Vietnam War radical surrendered to authorities in Boston. Katherine Ann Power, 44, was on the FBI's most wanted list from 1970 to 1984 for the killing of a Boston policeman during a robbery. Under the assumed name of Alice Louise Metzinger, Power has been living for a dozen years in central Oregon with her husband and teenage son.

CHINA FREES DISSIDENTS

China released three dissidents, including its most famous political prisoner, Wei Jingsheng. Diplomats said the releases were timed to boost Beijing's chances of hosting the 2000 Olympics, a decision due to be made by the International Olympic Committee this week.

clave—it is among the most densely populated territories on earth—is in shambles Simcha Bahiri, an Israeli economist who produced a recent study of the occupied territories, estimates Gaza's unemployment rate at 40 per cent Per capita income is about $1,700 a year, compared with nearly $16,000 in Israel And Gazans earn 30 per cent less than their West Bank brethren The World Bank has proposed a $5 7 billion aid plan for Gaza and the West Bank over the next 10 years But the plan only covers improvements to essential public services, more money will be needed to build up industries Bank officials have scheduled meetings in Washington this week to discuss ways of co-ordinating international aid



JOSE PIERCY/ PICTURE GROUP

Gaza refugee camp: squalor, rampant unemployment and a potential for deadly conflict

The Gazans are bemused at the very thought of running their own affairs The usual response when asked if their lives are going to improve is *"Inshallah"* (if God wills it) They are fatalistic, and not a little apprehensive They want the Israelis off their backs but it is hard for the refugees to abandon the hope of returning one day to their lost towns and villages inside Israel And they worry that after the occupying army has withdrawn, Arab will turn against Arab

The more optimistic residents expect autonomy to put money in their pockets, or at least to bring them work Said Muhammad Slam, a 49-year-old unemployed carpenter "My son was shot twice in the legs during the *intifadeh* We heard all the time that the PLO would pay him compensation Perhaps it will come now." Muhammad Kafarna, 25, used to work in a Tel Aviv shirt factory. "Things are going to get better," he argued "I'm not worried that I won t find a job Arafat will provide I trust in Allah up above and Arafat down below"

In the crumbling Shati camp, home to more than 40,000 refugees, Nasser al-Shram, a 27 year-old cab driver, expresses the resignation of many poor Gazans Asked if he expects improvement under the autonomy agreement, he shrugs and says, *"Inshallah."* Nasser, a married man with four children, lives with 12 members of his extended family in a house measuring less than 1,100 square feet. He has no answer about the kind of future he sees for his children When Nasser and a bunch of his friends, loafing one day outside a gas station, are pressed to describe their hopes and dreams, none of them seemed to even understand the question One finally retorted: "What do you want me to say? That I want to be a pilot?" On the drive away from the refugee camp Abu-Hassna, the local Arab reporter and interpreter, reflected "People here are not used to having a future. They live from day to day, without ambitions They are used to trusting in Allah They have forgotten that they have a right to dream."

Dr Eyad Sarraj, director of the internationally funded Gaza Community Mental Health Program, fears that the Arafat-Rabin deal may provoke an individual and collective breakdown Sarraj, a British trained psychiatrist and member of the Palestinian team in the Washington peace talks, urged the leadership not to pitch expectations too high "Otherwise," he maintained, "people here will go into grief They have lived for nearly 50 years on the dream of liberating all of Palestine Now, they have to come to terms with the fact that Palestine is going to be shared with Israel." Added Sarraj: "The danger is that this realization will be followed by disappointment. There will be a period when nothing happens In the short term, there won't be more money, there won't be more jobs."

Sarraj sees violence between fellow Arabs as the most alarming consequence of a failed peace agreement. "In the earlier years of the uprising," the psychiatrist explained, "people were Palestinians first and second Now, other identities are becoming a more secure base: your family, your tribal or political faction, your religion. If we don't have the necessary leadership, these divisions will deepen. And this will lead to fighting." He rates the chances of such an explosion at fifty fifty Said Sarraj: "I can't allow myself to be more hopeful than that, knowing the facts"

On the drive back to the Erez checkpoint, the gateway to Israel, interpreter Abu-Hassna shared the doctor's anxiety "I don't want things to go wrong here as they did after the collapse of communism in Russia," he said "Our leaders must tell the people that it's going to take time, that we're not going to solve all our problems in one year Otherwise people will be bitterly disillusioned. There could be a great wave of violence—not against the occupation this time, but against our own Palestinian administration." That is certainly not what Clinton had in mind when he coaxed Arafat and Rabin to shake hands before the world's television cameras But it stands as a clear warning to the international community that symbolic acts are not enough to ensure lasting peace in the Middle East As Foreign Minister Andrei Kozyrev of Russia, co-sponsor of the Washington peace talks, said at the signing ceremony last week. "I think it is really time to rejoice, but no time for euphoria Unfortunately, this is only the first step—major but first step—on the long, long road"

ERIC SILVER *in Gaza with* *WILLIAM LOWTHER in Washington*

THE ROAD AHEAD

OCT 13, 1993 The Declaration of Principles on Palestinian self-rule takes effect

DEC. 13, 1993: Israel begins withdrawing its military forces from the Gaza Strip and Jericho area. The five-year interim period of Palestinian self-rule officially begins

APR. 13, 1994 Latest date for Israel to complete its military withdrawal from Gaza and Jericho

JULY 13, 1994 Latest date for elections for a Palestinian council to govern Gaza and the West Bank

DEC 13, 1995: Latest date for talks to start on a permanent agreement on the status of the West Bank and Gaza, including Jerusalem, Jewish settlements, Palestinian refugees, borders and security

DEC. 13, 1998* A permanent agreement to take effect

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THE GAZA STRIP

An uncertain future

A Canadian settler fears Palestinian rule

The prospect of Palestinian self-rule worries Mike Shaul, one of about 4,000 Jews living in the Gaza Strip. When he left Toronto 20 years ago, Shaul moved to Gan Or, a farming co-operative in Gush Katif, a block of 16 Jewish villages on the southwestern flank of Gaza. To encourage Jewish settlement of the area, the Labour government of the mid-1970s headed by the current prime minister, Yitzhak Rabin, offered Shaul and his wife, Susan, a bungalow and two acres of greenhouses on easy terms. Over the years, they built a flourishing export business in cherry tomatoes. Their four sons, aged 3 to 16, were raised in the village. Last week's signing of the Palestinian autonomy agreement, under which the Israeli army would leave most of Gaza and the territory's 720,000 Arabs would run their own affairs, stunned the Shauls and their neighbors. Two of Gan Or's 45 Jewish families promptly left. "I didn't come to Gaza for political reasons," says Shaul, 40. "I've no control over what's happening."



ESA AS-BATEL GAMMA/PONOPRESSE

Jewish children in Gaza play with guns: security

Although the autonomy accord calls for the Palestinians to have their own police force in Gaza, Shaul is confident that it will have no jurisdiction over Jewish settlers. "The reason we're here," he says, "is a man called Yitzhak Rabin. In every speech he makes, he promises there'll be maximum security here." Unlike most Jewish settlers in the occupied territories, Shaul does not carry a gun. "I'm a Canadian," he explained. "It's not in me."

Many Palestinians expect to have their own state in Gaza and the West Bank after five years of limited self-rule. Would the Shauls and the other settlers be prepared to live under Palestinian sovereignty? "There's not one person here who would stay," says Shaul. "And to stay alone would be suicide." Added his wife, Susan: "I can't conceive of staying with all the hatred the Arabs feel for us. I don't see how it could be conceivable, for either side."

ERIC SILVER *in Gaza*



YUSSEF ALLAN/SIPA PRESS

Refugees in Amman watch signing: joy

JORDAN

Daring to dream

Uprooted Palestinians prepare to go home

Overshadowed by the historic signing of the Palestinian self-rule accord, another Middle East breakthrough took place quietly last week at the U.S. state department. Just one day after the PLO-Israeli agreement, negotiators for Israel and Jordan initialled an agenda laying out the elements of their own peace accord. The agenda sets out a framework of issues for an eventual deal based on UN Resolutions 242 and 338, which call for Israel to withdraw from territories it occupied during the 1967 Arab-Israeli War. That could lead to an agreement on the border between Israel and Jordan and to joint economic efforts. But it is the fate of Palestinian refugees that is likely to be the main issue in future negotiations.

The United Nations estimates that there are 1.2 million Palestinian refugees in Jordan. The community was formed during the Arab-Israeli War that followed the partition of Palestine—and the creation of Israel—in 1948. Jordan also has taken in as many as 800,000 Palestinians who fled their homes in the West Bank of the Jordan River during the 1967 war. Many of those Palestinians now want to return home to what they believe will become an independent Palestinian state. Says Ibrahim Al-Kurdi, a blacksmith in Jordan's East Bank: "There are 12 tradespeople who have shops in my building, and five of them said they would go back immediately—just drop everything, take their tools and go."

Late last week, PLO officials said Israel had agreed to allow as many as 400,000 Palestinians to return home over the next five years. Saeb Erekat, deputy head of the Palestinian peace talks team, says that the refugee problem is "the major issue which will either make or break the peace negotiations." After decades of despair, Jordan's Palestinian guests are daring to dream of a home of their own.

ANDREW BILSKI *with* LEILA DEEB *in Amman*



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TOUGH CHOICES

At the invitation of Maclean's and CTV, 12 Canadians accept the challenge of reducing the federal government deficit and restoring Ottawa's fiscal flexibility

By Deirdre McMurdy



PETER BREGG/MACLEAN'S

The Briars resort: gathering to set an economic agenda

From the outset, it was a notion fraught with considerable risk—and enormous appeal. Inspired by increasing public alarm about federal government debt and spending levels, *Maclean's* and CTV decided to gather a group of Canadians from across the country to discuss the problem. Rather than relying on the economists and politicians who have traditionally dominated and directed such debates, the object of the exercise was to get so-called average Canadians to set out their priorities and to devise a budget plan that would reduce Canada's growing reliance on foreign creditors and restore some of Ottawa's fiscal flexibility. Furthermore, since deficit reduction strategies have become the central focus of so much federal election campaign rhetoric, it was an especially compelling time to tap into the economic agenda of the electorate.

A team of editors quickly established the criteria for participants in the deficit discussion group. To bring a sample of Canadian perspectives to the table, at least 12 people were to be invited. They included a broad cross-section of ages, occupations, education levels and ethnic origins. Clearly, a young, unemployed French Canadian woman would have different economic goals and experiences than a 65-year-old car dealer from Edmonton. Other key considerations were the individual's overall familiarity with the issue of government debt and their ability to express and defend their views in a vigorous group debate. But there was one significant hurdle for many of the potential participants who were interviewed: even those with pronounced, well-articulated opinions had to undertake the challenge of travelling across the country for an intense two-day discussion of a complicated problem. And above all, they had to be willing to do so under the constant scrutiny of *Maclean's* reporters and harsh lights from CTV cameras.

After comparing notes following a series of telephone and personal interviews, the *Maclean's*/CTV editorial team eventually assembled a Citizen's Panel of 12 (page 40). Although it was a deliberately diverse group, the one common denominator was a strong conviction—which recent pre-election polls have underscored—that reducing Canada's burgeoning deficit and curtailing government spending is imperative.

While the recruitment of such a strong panel was a top priority, it was also apparent that the debate would require experienced leaders to guide the group and to ensure that their encounter was orderly and productive. For that assistance, *Maclean's*/CTV turned to Ben Hoffman, an Ottawa-based negotiator and dispute resolution expert. With a background in psychology, Hoffman has helped to steer conflict to consensus in both the private and public sectors. Working with him on the assignment were Helen Ryane and Harriett Moquette. Ryane is a dynamic consultant from Vancouver who has focused her practice on training senior government and corporate personnel in leadership skills, conflict management and negotiation. Moquette is a qualitative researcher from Montreal who specializes in opinion and market research and analysis.

Because of the intricacy of the subject matter and the profusion of daunting numbers and government programs, the panel also received expert help in sifting through the data. To ensure that they had the best possible resources available throughout their discussion, three economists and a former deputy minister of finance were invited to sit in on the sessions and offer their advice.

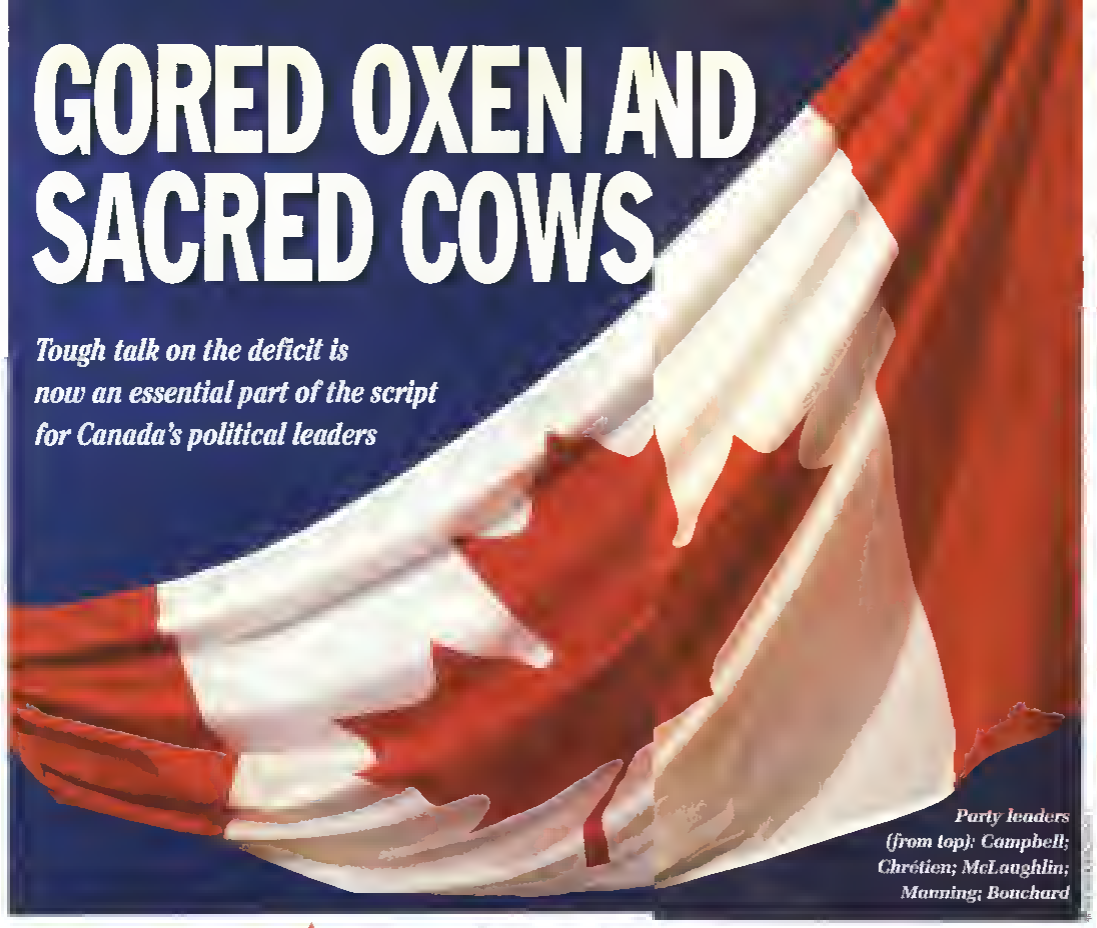
Fred Gorbet, Canada's deputy minister of finance from 1988-1992, was encouraged to share his personal perspective on the deficit. With a distinguished government career behind him, Gorbet, now the executive vice-president of North American Life Assurance Co. in Toronto, has a firm grasp of the economic policies and circumstances—some of which he created—that have led to Canada's current crisis. As a result, he also has a unique understanding of the delicacy of the surgery required to address it.

While Gorbet was available to furnish information about federal finance, three other experts were asked to offer more nuts-and-bolts economic insight. Ted Carmichael, a director and senior economist at Toronto investment dealer Burns Fry Ltd. has firsthand knowledge of the impact that excessive levels of foreign-controlled debt can have on capital markets. Carl Beigie, a veteran economist, now retired from the securities business and teaching and running an independent consultancy, offered a wealth of experience—and historical context—to the group. Leigh Anderson, on the other hand, is an academic who teaches economics at Carleton University in Ottawa. Among the tasks she assigns certain undergraduate classes each year is a dissection and analysis of government budgets. She gave The Briars group mixed marks for their efforts to reduce the federal government's debt load (page 54).

Another key aspect of the information package assembled for the group of 12 was a detailed guide to the government deficit

GORED OXEN AND SACRED COWS

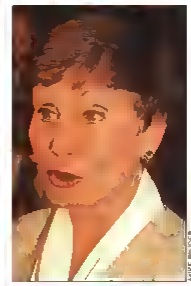
Tough talk on the deficit is now an essential part of the script for Canada's political leaders



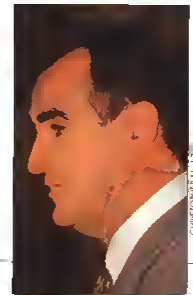
Party leaders (from top): Campbell; Chrétien; McLaughlin; Manning; Bouchard











(page 34). The document distilled data from an array of federal government papers and also included information collected from officials in the department of finance. Because there has frequently been confusion about detailed deficit and program spending figures in the past, that material allowed the panelists to work from the same base.

Finally, on the weekend of Aug. 20 to 22, these disparate elements were brought together. The chosen site was The Briars, a cozy countryside resort nestled on the shores of Lake Simcoe, one hour north of Toronto. After flying into Toronto from locations across Canada, the 12 wasted no time getting acquainted. And they were soon chatting animatedly together on the bus to The Briars. As soon as they got there, the discussion started in earnest—and they eagerly embraced the challenge ahead of them.

Ultimately, however, their enthusiasm and confidence proved difficult to sustain. Many held strong convictions about how and where to cut government spending. And with a tight schedule, the demands of the debate—even when the topic was subdivided into three segments—eventually frayed tempers. On Saturday evening, after an entire day of sifting through massive numbers and a bewildering array of government programs, one of the few things that the panel confessed to was profound frustration. Initially, the group blamed much of the deficit on careless bureaucrats and self-serving politicians. But as the 12 were increasingly overwhelmed by their new perspective on the pressures of administering an economically mismatched confederation of provinces and territories, they developed a grudging respect for them.

For most of the panelists, the spending cuts and budgetary measures that they ultimately agreed upon represent a hard-won compromise. Although they had agreed at the outset of the weekend that there would be "no sacred cows" and that everything and everyone was subject to review, that proved virtually impossible to enforce. As the 12 struggled to cut or reduce Ottawa's existing roster of social programs and subsidies, many suggestions were softened or cast aside because of personal interests. Native programs were sacrosanct to an aboriginal in the group, while certain defence cuts were rejected by another participant with a son in the air force. While the entire group did agree on the elimination of blatant government waste and inefficiency, most of their targets ultimately yielded relatively modest savings.

Still, as the federal election campaign—and the promises of candidates—gather momentum over the next several weeks, the debate at The Briars offers a valuable lesson: good intentions and clear economic priorities have nothing to do with resolving an issue as complex as Canada's deficit. □

TOUGH CHOICES

As issues go, the deficit sure has taken the fun out of political life. It used to be that a person could run for office armed with a visionary agenda for improving or reshaping the country. A candidate might argue passionately for a new alignment of the federation, or the need for a new social program that would make people's lives better: a national health plan, or maybe a new Crown corporation to blaze a trail in a strategic industry.

No more.

Government debt hangs over the political landscape of Canada—and the rest of the world—with a Scrooge-like gloom. The days of free spending are over, and "cut, cut, cut" is all that politicians seem to talk about. Tories and Liberals, Reformers and New Democrats alike now kneel respectfully at the altar of deficit reduction, even if saying exactly how they would do so still sticks in their throats.

In the 1988 election campaign, Brian Mulroney's Tories were verbal crusaders against the deficit, but they still made more than $8 billion in "spending commitments" as they sought re-election. Liberal Leader John Turner outlined a 40-point plan that promised to increase spending on day care and housing. "In terms of moving votes," said John Webster, Liberal campaign director at the time, "the deficit is not a grabber." Prime Minister Kim Campbell, on the other hand, preaches the gospel of sacrifice. The deficit is the "silent killer of jobs," she repeated at early campaign stops. There are no promises of government job creation or new spending projects to soothe a regional want.

Fearful of being seen as profligate spenders, Campbell's rivals move cautiously. Jean Chrétien and Audrey McLaughlin both believe that governments can play an influential role in reviving the Canadian economy. "We believe we have to take measures to make our economy grow and to create jobs," Chrétien said upon introducing the Liberals' new spending plans in Ottawa last week. The price tag: $5.3 billion over four years. But both he and the NDP's McLaughlin are careful to say that spending on job creation will be paid for by cuts to existing programs—$7.1 billion in Chrétien's case. The result is that the promises are more modest, the passion stripped from the message. And still the deficit hounds strike back with the challenge: *what* will you cut?

Whose ox will be gored is the question that derails the deficit debate every time. All politicians pledge to balance the budget—eventually. But *none* want to raise taxes, and few among them are willing to identify their targets for cuts. Chrétien offered to slash some unspecified grants to business and a helicopter purchase program of marginal popularity. Reform party Leader Preston Manning has outlined some cuts, vowing to eliminate funding for multiculturalism and official languages programs. But reining in a federal deficit forecast this year at $32.6 billion requires cuts of far greater magnitude. Should seniors' pensions be cut? Which defence bases should be closed? Should the CBC survive? What about shifting health-care costs on to patients?

Campbell refuses to engage that debate. She has pledged to wipe out the federal deficit within five years without raising or levying new taxes. But, so far, all she has offered is the well-worn attack on government waste and inefficiency. Her budget cuts will be worked out only after undefined consultations with the provinces if she is re-elected; her "new politics" does not include specifics. Meanwhile, the finance department reported this month that the Tories' last deficit projections were again too optimistic: after four months of this fiscal year, the deficit already stood at $16 billion, *up* $2.9 billion from a year earlier.

No wonder Canadians are skeptical about their politicians' ability to balance the books. Like the Constitution, the deficit seems intractable. Every year beginning in 1984, Mulroney vowed to tackle the deficit. Nine years later, the federal debt has risen from $161 billion to $491 billion. "I think he may have been too optimistic about being able to grow our way out of the deficit then," Campbell explained to voters last week.

But the belief that politicians in power are more interested in protecting their turf than getting spending under control fuelled the anti-political surge of Manning's Reform party. With his promise to balance the books within three years of taking office, Manning forced other politicians to at least set deadlines for their claims. His arrival as a national force made a hawkish approach to deficit cutting the litmus test for aspiring leaders. During the Tory leadership campaign, Campbell promised a balanced budget in five years, her chief rival, Jean Charest, said four. Vancouver Mayor Gordon Campbell captured the B.C. Liberal leadership this month with little more than a promise to bring in a law requiring a balanced budget if elected. Even Bloc Québécois Leader Lucien Bouchard has emphasized cutting the federal deficit by $10 billion, mostly culled from the military and federal bureaucrats.

Perhaps the slash-and-cut mania runs most strongly in Alberta, where it borders on political gimmickry. Premier Ralph Klein passed a law requiring his government to cut the province's deficit to $1.8 billion in two years from last year's $3.8 billion. Now, the legislature will consider a bill that would require Klein to resign and every member of the legislature to take a five-per-cent pay cut if they fail.

But cuts in government spending are almost always politically unpalatable because they affect many people who feel entitled to a share of the public purse. "Everybody says cut," noted federal Energy Minister Barbara (Bobbie) Sparrow, Manning's opponent in the Calgary Southwest riding. "But they say, 'Not in my backyard.'" That sentiment is what makes cutting the deficit an easy-to-say, hard-to-do exercise. And there is very little political cover for such an unpleasant business.

BRUCE WALLACE

A DEBT HANDBOOK

TOUGH CHOICES

Public concern about the deficit is acute, but understanding how Ottawa collects and spends money can be a challenge. Often, even the basic facts are in dispute.



BY MARY JANIGAN

THE SITUATION

Ottawa predicts that the gap between what it spends and what it collects in taxes will be $32.6 billion this year. That shortfall is called the deficit. To pay for it, Canadians must borrow $89.3 million every day. They borrow $625 million every week. Ottawa has been running deficits almost every year since the late 1950s. Those deficits were tiny until the mid-1970s when they began to grow dramatically. The sum of those annual deficits—the debt—will hit $491.2 billion at the end of this 1993-1994 fiscal year. That is more than $18,000 for every man, woman and child in Canada. Every year, Ottawa must pay interest charges on that debt. This year, it predicts that it will pay $39.5 billion in interest. Those payments do not affect the size of the debt itself—which keeps growing with each year's annual deficit.

THE SIZE OF THE PROBLEM

As the debt has grown, interest payments have consumed an increasing proportion of Ottawa's spending. They now constitute an enormous strain on the treasury. In 1974-1975, interest charges were only 11 per cent of the annual budget. This year, Ottawa will devote almost one-quarter of its total spending of $159.5 billion to interest charges.

The best way to gauge the seriousness of the debt is to compare it with the size of the economy. The total of all goods and services produced every year in Canada is called the gross domestic product (GDP). This year, Ottawa estimates that those goods and services will be worth $719 billion. In the mid-1970s, Ottawa's debt was less than 20 per cent of the nation's GDP. In 1982-1983, it was 36 per cent. This year, the federal debt is more than two-thirds—68.3 per cent—of the GDP. That means that the federal debt is growing faster than the economy.

HOW DID WE GET INTO THIS?

In hindsight, both governments—and taxpayers—missed some crucial warning signs during the past two decades.

- The productivity of Canada's manufacturing labor force scarcely grew. As a result, Canada started to lose its competitive edge. Its economy slowed—and increases in government revenues became sluggish.
- During the mid-1970s, Canada tied its basic tax exemptions and its income security payments such as the old age pension to increases in the cost of living. But inflation was increasing at an enormous pace. As a result, taxable income dwindled at the same time as Ottawa's expenses for income security payments were mounting.
- Throughout the 1970s and early 1980s, federal policies were crafted to stimulate growth through the expansion of spending and the introduction of new tax breaks. The impact on growth was not great—but the impact on the deficit and the debt was serious.
- Throughout the 1970s and early 1980s, federal leaders believed that economic growth would generate enough revenues to balance the bud



get—if they got the basic cost of government operations under control. They were wrong. This year, Ottawa's day-to-day operations, defence and foreign aid will cost $34.3 billion. Interest payments alone will be $5 billion more—$39.5 billion. If the government were to shut down, the savings would not cover the interest on the debt.

PUBLIC-SECTOR DEBT

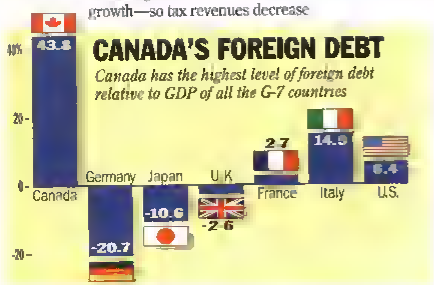
The federal government is not the only public borrower: provincial governments are also borrowing heavily to make ends meet. In fact, provincial debt is now growing at a faster rate than Ottawa's debt. Last year, the combined debt of Ottawa and the provinces was $630 billion. That works out to more than $23,000 for every Canadian. And it equals 91.6 per cent of last year's GDP. This year the total of the 11 governments' debts is expected to reach more than $680 billion—or more than 95 per cent of the nation's GDP.

WHY DOES THIS MATTER?

The burden of high deficits and debts has been extremely heavy. In Canada, in the early 1980s, Ottawa's first response to cope with its growing deficit was tax increases. Such continuing tax increases have slowed the growth of the economy. But they have never raised enough revenue to cover the yearly shortfall—largely because of the ever-increasing interest on the ever-increasing debt. As more money went to pay the interest on the debt, Ottawa had less money to spend on programs. In the mid-1980s, it began to curb its contributions to such areas as health, education, welfare and economic development. Taxpayers began to pay more for less.

Meanwhile, both governments and the private sector were competing for funds to borrow. The demand was too high for the available pool of domestic savings. So borrowers increasingly looked for funds abroad. Most estimates now put Canada's total public and private external debt at $300 billion. Ottawa and the provinces owe about two-thirds of that debt. Canada now has the highest level of net public and private foreign debt among the so-called G-7 nations—Canada, Italy, Great Britain, the United States, Germany, Japan and France. Canada's net foreign debt in 1992 was 43.8 per cent of GDP. Italy was second highest—at 14.9 per cent of GDP.

That foreign debt creates additional problems for Canada. Increasingly, more Canadian income is going to foreigners to service the debt. That money is lost to Canada. More importantly, Canada must keep a wary eye on its foreign investors when it makes domestic decisions. If foreigners lose confidence in Canadian monetary and fiscal policy, they could unload their Canadian holdings—such as their Canadian bonds—and cause the Canadian dollar to become volatile in international currency markets. To regain foreign confidence, Canada might be forced to make those holdings more attractive by raising interest rates. Higher interest rates, in turn, increase the cost of the interest on the national debt—which increases the annual deficit. Higher interest rates also cripple economic growth—so tax revenues decrease.



OTTAWA'S REVENUE SOURCES

This year, Ottawa estimates that it will collect $126.9 billion in taxes. The main sources of that revenue include:

1. PERSONAL INCOME TAX: $58.1 billion. The revenue from personal income tax has doubled from $29 billion in 1984-1985. Between 1984 and 1992, personal income has also increased to $622 billion from $372 billion.

2. CORPORATE INCOME TAX: $9.7 billion. The revenue from corporate income tax was $9.4 billion in 1984-1985. Corporate tax revenue has remained stagnant because profits have been sluggish: corporate profits in the vital industrial and manufacturing sector, for example, dropped from $47.3 billion before taxes in 1984 to $5 billion before taxes in 1992.

3. UNEMPLOYMENT INSURANCE CONTRIBUTIONS FROM EMPLOYERS AND EMPLOYEES: $19 billion. The revenue from UI premiums was $7.6 billion in 1984-1985.

4. THE GOODS AND SERVICES TAX: $17.4 billion. The GST replaced the manufacturers' sales tax in 1991. In 1984-1985, the manufacturers' sales tax generated $7.6 billion.

5. EXCISE TAXES AND DUTIES: $12.1 billion. In 1984-1985, those taxes produced $10.6 billion.

6. OTHER REVENUES: $10.6 billion. This category includes service fees and Ottawa's return on its investments. In 1984-1985, those revenues totalled $6.7 billion.

WHAT IS OTTAWA DOING ABOUT IT?

Ottawa has made an effort to curb the deficit. In 1984-1985, the deficit was $38.5 billion—or 8.7 per cent of GDP. Last year it was $35.5 billion—but only 5.2 per cent of GDP. This year, Ottawa estimates that it will be $32.6 billion—or 4.5 per cent of GDP.

That decline has come about for several reasons. First, Ottawa hiked taxes: federal tax revenues constituted 15 per cent of the GDP in 1980; this year, they will be 18 per cent. Ottawa also curbed spending. It controlled the growth of some transfers to the provinces. And it managed to keep the cost of government operations below the rate of inflation.

The result is interesting. In 1984-1985, Ottawa collected $71 billion in taxes—and spent $87 billion on programs. This year, it estimates that it will collect $126.9 billion in taxes—and spend $120 billion on programs. If Ottawa did not have to pay the interest on the debt, it would have a surplus.

TAX INCREASES

There are several reasons why Ottawa probably cannot introduce further major tax increases.



1. The public will not tolerate more taxes. Some economists now believe that the size of the so-called underground economy could be as high as 15 per cent of the GDP. Further tax increases would likely drive more taxpayers underground—so it is not likely that they would yield more revenue.

2. Tax increases drag down the rate of growth in the economy. But the economy has to grow at a robust rate—or revenues will flag and the deficit will grow even larger.

3. It is difficult to slap large tax increases on corporations because they are already reeling from the recession.

4. In 1989, Ottawa imposed a tax on all large corporations which is levied against a company's value—rather than its profits. As a result, it is more difficult for large corporations to avoid minimum taxes.

5. The world has grown highly competitive. Capital equipment and raw materials flow easily across borders. Canada's taxation levels must compete with those of its powerful neighbor, the United States—or investment could flow south.

HOW OTTAWA SPENDS ITS MONEY

The following list breaks down Ottawa's 1993-1994 spending:

1. TRANSFERS TO PERSONS: $41 BILLION INCLUDING:

A. Old age security—$20 billion

B. Unemployment insurance—$19.4 billion

2. MAJOR TRANSFERS TO OTHER LEVELS OF GOVERNMENT: $26.4 BILLION

3. MAJOR SUBSIDIES AND TRANSFERS: $13.3 BILLION INCLUDING:

A. Business—$3.3 billion

B. Native programs—$3.6 billion

C. Agricultural subsidies—$2.4 billion

D. Other—$4.1 billion



PHOTOS BY CHRIS SCHWARZ/MACLEAN'S

Farming in Ontario

4. PAYMENTS TO MAJOR CROWN CORPORATIONS: $4.7 BILLION

5. DEFENCE: $11.3 BILLION

6. INTERNATIONAL ASSISTANCE: $2.7 BILLION

7. RESERVES: $300 MILLION

8. GOVERNMENT OPERATIONS: $20.3 BILLION



Aboriginal hunting camp in Quebec

TOTAL PROGRAM SPENDING IS $120 BILLION

PUBLIC DEBT CHARGES TOTAL $39.5 BILLION.

TOTAL BUDGETARY EXPENDITURES ARE $159.5 BILLION.

TRANSFERS TO PERSONS

There are two major categories of transfers to persons: old age pensions and unemployment insurance.

1. OLD AGE PENSIONS: Traditionally, politicians have tinkered with the old age pension at their peril. In 1989, Ottawa braved that storm—and slapped a repayment provision on that pension for taxpayers who earned more than $50,000 each year. That is: pensioners, who are already taxed on their old age pensions, must pay an additional surtax on their pensions whenever their individual net income exceeds $50,000. This year, that threshold has increased to $53,215 because of inflation.

The distribution of the $20 billion for old age pensions is fascinating. About $9.1 billion goes to households where the family income is less than $20,000. About $2.4 billion goes to recipients who live in households where the family income is more than $53,000.

2. UNEMPLOYMENT INSURANCE: Technically, the UI fund is supposed to pay for itself: premiums from employers and employees should sustain it. Last year, the fund collected $17.5 billion—and paid out $19.2 billion. In response, Ottawa reduced the unemployment insurance benefit rate for new recipients from 60 per cent of insurable earnings to 57 per cent. Ottawa also denied benefits to employees who quit their jobs or who were fired for misconduct. This year, the fund will collect $19 billion—and pay out an estimated $19.4 billion.

TRANSFERS TO OTHER LEVELS

This year, Ottawa will transfer $40.4 billion to the 10 provincial and two territorial governments. About $26.4 billion of that amount will be cash grants. Provinces receive the rest of the money through the transfer of tax points: that is, since 1977, Ottawa has lowered its personal income tax rates—and provinces have increased their rates by an equivalent amount. There are three major programs to transfer funds:

1. EQUALIZATION: these grants are cash payments from Ottawa to the poorer provinces. Ideally, those payments allow provinces to provide similar levels of service at similar levels of taxation. Three provinces do not receive equalization: Alberta, British Columbia and Ontario. The remaining seven provinces receive payments that depend on their fiscal capacity and their population. This year, payments vary from $1,587 per person in Newfoundland to $517 per person in Quebec. They will total $8.3 billion, up from $4.9 billion in 1982-1983.

2. ESTABLISHED PROGRAM FINANCING (EPF): this provides financial support to the provinces for health insurance and postsecondary education. In 1977, governments established the current funding formula: each province's entitlement is based on its number of residents—and it escalates according to the growth in its population and in the Canadian economy. The entitlement is first met by the value of the tax points. If that is not sufficient, Ottawa pays the balance in cash. This year, the cash grants will total about $9.3 billion. Ottawa has consistently curbed the entitlement, which, in turn, has reduced the cash grant. In 1986, the federal government limited the grant's rate of growth to two percentage points less than the rate of growth in the economy. In 1990, Ottawa froze the grant for each person at its 1989-1990 level until 1994-1995. The EPF grant now grows only because the population is growing.

3. CANADA ASSISTANCE PLAN (CAP): In theory, this ensures that Ottawa picks up 50 per cent of the tab for eligible provincial and municipal spending on social assistance and welfare. CAP funding

has increased to $7.2 billion from $6.5 billion in 1992-1993. In most provinces, Ottawa has little control over the growth of its share: it simply pays 50 per cent. In 1990, Ottawa curbed the growth of its CAP payments to five per cent per year in the three wealthier provinces: Ontario, British Columbia and Alberta. Unfortunately,

MAJOR SUBSIDIES

Ottawa will spend about $13.3 billion on subsidies this year.

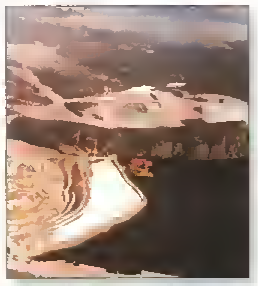
1. BUSINESS: $3.3 billion. Business subsidies in 1992-1993 included the following:

A. ENERGY: $137 million for the Hibernia oilfields; $353 million for petroleum incentive payments.

B. REGIONAL DEVELOPMENT: $993 million.

C. SCIENCE AND TECHNOLOGY: $1.4 billion.

D. TRANSPORT: $391 million.



Hibernia oil megaproject

2. NATIVE PEOPLE: This year, Ottawa will spend $3.6 billion on subsidies to native people. (Total native spending, including housing and other departments, is estimated at $5.4 billion.) In 1992-1993, those subsidies included:
A. $134 million for economic development.
B. $873 million for education.
C. $806 million for social development.
D. $263 million for band management.
E. $208 million for health services.
F. $620 million for capital and community services.

3. AGRICULTURE: Subsidies to agriculture will be $2.4 billion this year. Last year, those payments included:
A. $237 million for crop insurance.
B. $256 million in subsidies to dairy farmers.
C. $788 million in subsidies for Western grain transportation.
D. $214 million in income stabilization.

4. OTHER: $4.1 billion. This category of subsidies included the following payments last year:

A. External: $428 million, including $20 million for trade promotion, $152 million for contributions to such political and economic organizations as the United Nations and $171 million for peacekeeping. (That tab is expected to hit $226 million this year.)

B. Secretary of state: $1 billion, including $522 million for interest payments on student loans, $72 million for citizenship development and $53 million for multicultural programs.

C. Employment and Immigration: $1.6 billion, including $1.3 billion for job creation and training and $251 million for immigration programs.

welfare expenses across Canada have grown more than five per cent per year—because more people have required assistance during the recession.

PAYMENTS TO CROWN CORPORATIONS

Ottawa is handing over $4.7 billion to Crown corporations this year. That includes the following:

A. $2.1 billion for the Canada Mortgage and Housing Corp. Most CMHC funds are used for subsidies. They also provide new housing for shelters for victims of family violence, natives on reserves and the disabled.

B. $1.1 billion for the Canadian Broadcasting Corp.

DEFENCE

Ottawa will spend about $11.3 billion on defence this year. That includes the following expenditures:

A. $5.2 billion for wages, salaries and benefits for about 78,000 military personnel and 34,000 civilians.

B. $3 billion for operating costs such as fuel, maintenance and supplies.



Military helicopter

C. $2.7 billion for capital expenditures such as patrol frigates, the modernization of the air defence system and helicopters.

INTERNATIONAL ASSISTANCE

The tab for international assistance is $2.7 billion this year. This includes:
A. $168 million in administrative costs.
B. $1.2 billion for international aid agencies such as the International Monetary Fund.
C. $1.2 billion in direct aid such as food, humanitarian assistance and scholarships.

GOVERNMENT OPERATIONS

This is the cost of running the government. It includes salaries for civil servants, capital works such as the construction of ports and a range of programs from food inspection, police services and tax collection to the operation of airports and national parks. This year, the tab will be $20.6 billion. When inflation is taken into account, those budgets have dipped from 22.5 per cent of total program spending in 1984-1985 to 15 per cent in 1992-1993.

OTTAWA'S PLANS

Last April, Ottawa predicted that its budgetary deficit would dwindle to $8 billion in 1997-1998, largely because of the cumulative effect of its spending cuts. There is a lot that can go wrong with that scenario.

1. Ottawa expects interest rates to stay low. If interest rates rise, that would increase the cost of interest payments on the debt.

2. Ottawa predicts that the economy will grow by an astonishing 4.6 per cent after inflation next year. If economic growth remains sluggish, that would slow the growth of government revenues.

3. There could be unexpected emergencies such as another severe drought on the Prairies.

As a result, it is highly unlikely that Ottawa will meet its deficit targets—or balance its books—under the current federal game plan. □

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ROYAL BANK

THE GROUP OF TWELVE

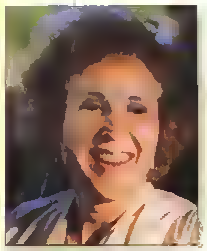
TOUGH CHOICES

They came from all parts of the nation, with different ideas and backgrounds. The 12 citizens in the Maclean's/CTV deficit dialogue were a determined group whose views were shaped by their individual histories.



BILL BARKER, 44
Livestock/grain farmer, Swan River, Man.

Bill Barker, a burly farmer who cultivates 1,600 acres in northwestern Manitoba, arrived at The Briars ready to defend Ottawa's $2.4-billion agricultural subsidy program. "Subsidies work in the short term," he explained, "but not in the long term." Barker conceded that farm subsidies not only contribute to the deficit but create an artificial dependence on government. Still, the married father of four was willing to bargain them away—but *only* if others took a harder line as well. Said Barker: "My agricultural subsidies are no different from overpaying our civil servants."



MARGARET BLACK, 51
Nursing professor, Willowdale, Ont.

Margaret Black, a professor at a Toronto community college and a married mother of six children, believes that all Canadians must learn to distinguish between their needs and their wants. "There are some things that have to go by the board," she says. "We can't be afraid to pull the plug on the excesses." After spending 30 years in the health-care industry, Black says that she knows of its costly excesses. "There was a time when patients leaving the hospital would get a notice telling them what their medical care cost," she says. "That's one way of making people aware of costs."



CHANTAL BIRON, 27
Unemployed computer technician, Montreal

Chantal Biron, a graduate of McGill University's commerce program, has been receiving unemployment insurance for the past nine months. Still, Biron berated the government for making it too easy for people to "do nothing" and live on social assistance. "It used to be an embarrassment," she said, "to be on welfare and UI. But this has all changed." Biron favors UI recipients doing volunteer work or part-time work to keep active while continuing to job hunt. And although she says that job prospects are bleak, she was one of the group's most vociferous social-program slashers.



EVELYN GOODINGS, 67
Retired administrative assistant, Welland, Ont.

Evelyn Goodings, a former municipal government employee, remembers a time when Canadians had to pay $9 for any visit they made to a doctor's office. "You would think twice before going in those days," she says. "That charge was a good thing," Goodings adds. The mother of four grown children believes that user fees—combined with a more judicious use of Canada's social services—will help reduce the federal deficit. "Canada used to be the land of milk and honey," she says, "but we've run out of honey and the milk's gone bad."



KEN HAYWOOD, 65
Car dealer, Edmonton

Ken Haywood, a Ford car dealer, is openly worried about the future. "I sell cars for a living," he said, "but not enough of them these days." Married with eight children and 16 grandchildren, he says: "These kids are going to have to pay." To ensure that action is taken immediately to cut the deficit, Haywood advocates the introduction of a legislated deficit reduction taxpayer protection plan to ensure that the required spending cuts are made. And despite the fact that he is an independent businessman, Haywood endorses a review of government subsidies to business.

PHOTOGRAPHY BY PETER MASSO/MACLEAN'S



CRAIG LEWIS, 26
Lawyer, Etobicoke, Ont.

Craig Lewis, who graduated from Queen's University law school two years ago, is just beginning his career as a litigation lawyer in Toronto with the law firm Shibley Righton. For him, the budgeting process is a new experience. "I know how much is spent on the deficit," he says, "but is it spent wisely?" While he favors cuts in public spending, Lewis is wary of levying excessive taxes on the wealthy to reduce the deficit. "There's a perception that the higher income earners should pay more taxes," he says. "But I'm content with the tax rates we have now."

KIT KRASEMANN, 45, Technical communications specialist, Dartmouth, N.S.

As the group indulged in a smoked Atlantic salmon that he brought along for the weekend, Kit Krasemann voiced concern over what he sees as Canada's principal financial problem. "Loss of sovereignty is what bothers me," he said. "We will no longer have control over what we do. We will have to jump through [the financial community's] hoops." Married with a two-year-old son, Krasemann acknowledges that governments sometimes waste money in an effort to boost regional employment.





EO LIM, 33, Municipal computer specialist, North Vancouver

Ed Lim could not believe his luck when he arrived in Canada 12 years ago from the Philippines. "I got a job at a [federal] grain elevator where I was paid $16 an hour for sweeping floors. Those wages paid my way through university," he said. Lim argues that Canadians must become more self-reliant and adds that the country's generous social assistance programs encourage complacency. Still, he says that he is prepared to pay even higher taxes to maintain those programs for those who really need them—as long as other measures are taken to lower the deficit.



FRANK OLIVER, 76, Retired CN Railway union leader, Brampton, Ont.

Frank Oliver, married with three children, has experienced firsthand what self-sufficiency and sacrifice are really like. Raised by his grandmother on a farm in Saskatchewan during the Great Depression, Oliver lived through Canada's harshest economic times. "We need government," he says, "but as individuals we also need to learn to look after ourselves." Oliver adds that government and corporate layoffs are aggravating Canada's fiscal woes. "It's like a landlord having an apartment building with a huge debt and telling his tenants to leave," he says. "It doesn't solve the problem."

CAROL MEREDITH, 47
Computer consultant, Knowlton, Que.

Carol Meredith and her companion used to have two cars. Now, economic circumstances have reduced them to a one-car couple. "It doesn't make any difference," she says. "We found that the second car wasn't very important to us." Meredith, a former computer science teacher who now runs her own small computer training company, is convinced that all Canadians must make similar choices. But Meredith's main concern is the lack of communication between governments and ordinary citizens. This led her to question whether The Briars session would have any impact.





SHEILA SIMPSON, 48
Gift-shop owner
St. Andrews, N.B.

Although frugality and balanced budgets were priorities for most participants, gift shop owner Sheila Simpson questioned whether that approach can create wealth. "If the whole country was worried about being frugal," she said, "I'd be out of business." Simpson, who is the mother of two teenagers, enjoys being her own boss, but laments that "you never get away from your work." And although she believes that cutting the deficit will help business in the long term, she feels the group must be careful to make the right cuts.



RUTH WILLIAMS, 54
President, All Nations Trust Co., Kamloops, B.C.

Ruth Williams, a member of the Shuswap nation in central British Columbia, is president of a trust company owned by 185 native shareholders. Williams, who grew up on a reserve in a family of nine, is also a mother of two children. As a child, she absorbed her family's approach to budgeting. "Unless you could afford to buy it, you just didn't borrow for it," she said. And although her view on borrowing money has changed, she feels that Canadians are "so busy giving to their kids what they *didn't* have—that they fail to give them what they *did* have."

JULIE CAZZIN

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The determined dozen vowing to reduce the federal deficit with hardline spending cuts to government programs

IN SEARCH OF SOLUTIONS

A group of Canadians wrestles with the daunting realities of deficit reduction

The bus carrying the participants from Toronto's Pearson International Airport arrived at The Briars late on a humid Friday afternoon. The group was greeted at a reception held in an elegant Victorian-style pagoda, complete with white columns and gingerbread trim—an oddly serene country setting for the sobering topic the group had been gathered to address. Dispensing quickly with introductions, the participants sat in the pagoda, drinks and canapés in hand, brimming with energy and answers as they launched into their personal philosophies on budgets and debt. If they could all manage their household accounts, they demanded, why could the government not manage its own? As they talked, they hardly seemed to notice that the afternoon humidity was giving way to an evening chill. The sky had turned a steel grey and and a cool wind had begun blowing off choppy Lake Simcoe. The blustery weather was a fitting portent of the stormy sessions yet to come, of the obstacles and frustrations that faced the participants as they prepared to grapple with the nation's finances.

TOUGH CHOICES

Edmonton car dealer Ken Haywood brought along a household budget book from the 1930s to illustrate his mother's determination to raise budget-conscious children. "I wanted an accordion, apparently," he said, referring to a childhood purchase recorded in the book. "She paid for it, and I paid her back. So I come from a budgeting background."

Ruth Williams, president of the All Nations Trust Co. and a member of the Aboriginal Economic Advisory Board in Kamloops, B.C., related that when she recently applied for a loan to buy a camper, she was told that her debts should not exceed 40 per cent of her income. "It would be nice," she said to applause, "if the government operated in the same fashion."

The dozen Canadians came from all parts of the country with a range of views. They were not economists and they had difficulty grappling with complex theories on monetary policy or the merits of an independent Bank of Canada. What they brought to The Briars was a common-sense approach, born of their own struggles to balance household and small-business budgets.

What they encountered as discussion of the federal deficit got under way was frustration. When they proposed to cut unemployment insurance, expert economists advised the group that the move would not make sense, that UI is a self-funding program that usually takes in as much money as it doles out.

Equalization to the have-not provinces? They need not bother cutting those either, because they are enshrined in the Constitution.

Overbilling in health care, perks for politicians and other examples of government waste? Sure, the economists said, but even if they shut down the entire government they could still not eliminate the $32.6-billion federal deficit.

And when some participants proposed deep cuts in such meaty expenditures as education and native programs, there were others who strongly objected on the grounds that the social and economic costs were too high.

In the end, the group did reach a consensus, prescribing about $9.5 billion in cuts to federal expenditures each year for three years—measures more drastic than what any government has ever imposed. Some of their proposals detailed reductions that the group considered

essential—others were more symbolic, intended to express their exasperation with government inaction. But along the way, over a pressure-cooker weekend marked by flare-ups and compromise, the participants came to recognize the monumental obstacles politicians themselves face as they address the deficit issue.

During dinner on Friday, former deputy federal finance minister Fred Gorbet outlined the current budgetary crisis and presented his analysis of how the country acquired the federal deficit (this page). Most of the participants were still talking about his remarks, and nibbling at the last of their mud pie desserts, when Williams, a Shuswap Indian, and Carol Meredith, the owner of a small computer training company in Knowlton, Que., settled in a small lounge. Williams began to talk about Canada's natives, about their 85-per-cent unemployment and 47-per-cent illiteracy rates. She wanted to make sure that deficit reduction took into consideration the special needs of her community. It was about that time when the others began drifting in.

"I have a friend," Manitoba grain and livestock farmer Bill Barker interjected. "His daughter is married to a guy who is one-eighth Indian and their sons go to university free of charge. Can we go on for ever and ever with aboriginals having special rights?"

"You're living in this country," Williams replied, "with agreements made with the original inhabitants."

"How long can this go on?" Barker asked.

"The agreement is for as long as the sun shines," Williams replied firmly.

"But," Barker insisted, "won't that create a special class of people that will be a perpetual source of tension?"

Williams had had enough. "A lot of money," she said pointedly, "goes to people in agriculture." With that, she turned away.

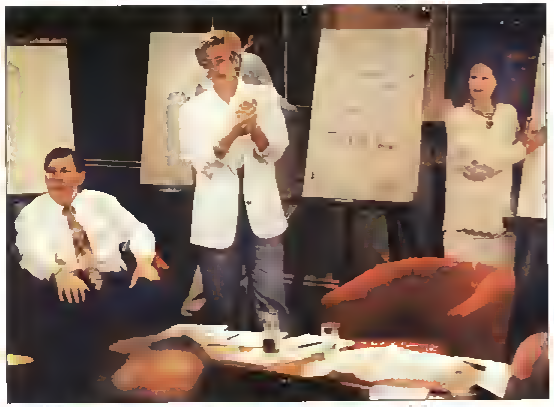
Barker, meanwhile, told Meredith that he is not a fan of agricultural support programs. "But is it any more of a subsidy," he asked, "than paying a civil servant $30,000 or $40,000 more than he's worth? In my home town, the civil servants make that much more than someone in private enterprise."

From native programs to agricultural subsidies to civil service salaries—the jostling for a slice of the budgetary pie had begun.

After the Friday night confrontation between Williams and Barker, the participants trod carefully around the $3.6 billion the federal government spends on native programs—at least during the formal sessions. In the hallways and over lunch, those programs were still the subject of heated informal debate. "I don't know where we're going to get the money to pay the Indians," car dealer Haywood told his lunch companions on Saturday. "They *do* get a lot of money," another participant added. "But don't let Ruth hear us," cautioned a third, glancing nervously over his shoulder.

That reticence to offend would influence the end result. In their final agreement, the participants agreed to cut the costs associated with the federal government's administration of native programs but did not touch the programs themselves. For the most determined deficit slashers, it was both a setback and a lesson in the delicate politics of federal financing.

If the participants sometimes pulled their punches on native issues, they let loose on other government expenditures. Professional conciliators Ben Hoffman, Helen Ryane and Harriett Moquette assembled the group in a ground floor conference room early Saturday morning and asked each of the participants



Conciliators (from left) Hoffman, Ryane, Moquette guiding lights

Throwing down the gauntlet

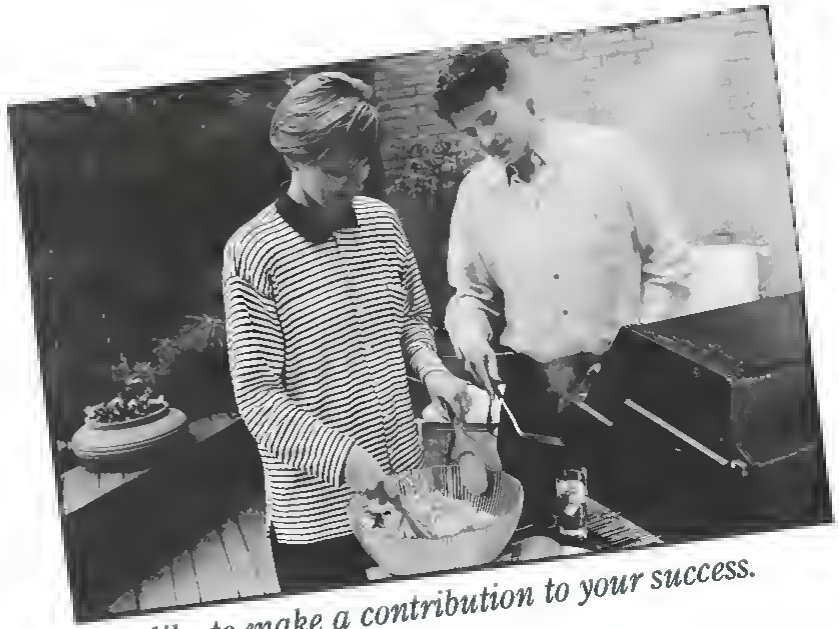


Fred Gorbet, federal deputy finance minister from 1988 to 1992, now is executive vice-president of North American Life Assurance Co. After dinner on Friday night, he set the scene for the opening of the Maclean's/CTV forum on the deficit. Highlights.

I advised on budgets for the past 10 years in Ottawa, and let me tell you, all of those documents are about choices. At a very general level, the choices are not that complicated. If you can't pay your bills, you can raise your taxes or you can cut your spending. Below that level there are lots of very interesting, very real questions about which taxes you should raise, how much you raise them, which spending categories you decide to cut, how much you cut them. Those choices will reflect different views about how our economy and how our society ought to function.

But I think there are a lot of myths out there about how easy it is to deal with this problem. If you sample public opinion broadly, I think you will find now that the vast majority of Canadians think the deficit is a problem. They feel that they're overtaxed and they think that the bulk of the action has to come on the expenditure side. But if you then ask, 'What expenditures should the government cut?' the vast majority of Canadians will say 'They should cut waste and inefficiency, they should cut defence and they should cut foreign aid—but please don't touch any of the money that goes to senior citizens, please don't touch any of the money that goes to health and education. Focus on those things we don't need.'

I don't want to get involved in a debate about what we need and what we don't need. I think that's your job. But I think when you get involved in that debate, you should understand the dimension of the numbers. Because if, at the federal level, we cut out every dollar that's spent on defence, that goes to foreign aid, that goes to operating the government, if we take everything out of Ottawa and all we end up doing in Ottawa is write cheques to individuals, cheques to provincial governments, cheques to organizations, associations, industries—we would still have a deficit. That's how serious the problem is.



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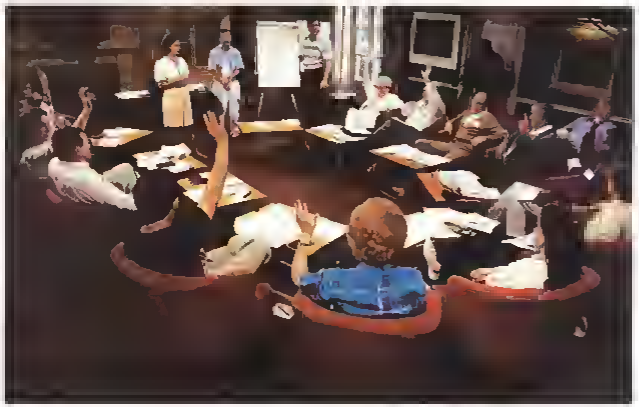
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TOUGH CHOICES

to speak about the deficit-related issues closest to their hearts Nursing professor Margaret Black of Willowdale, Ont., maintained that Canada's "cradle-to-grave security" network has failed. "It's going to be a big shock" when it's gone Black said, "but earlier generations didn't have that kind of thing and they've managed to do quite well." Ed Lim, a computer specialist with the City of North Vancouver, said that "the concept of universality has to be abolished. Free medical care, free money, easy access to UI, all these grants and welfare—those have to end." And Frank Oliver, a retired CN Rail worker and former union representative from Brampton, Ont., said that he was tired of "politicians who come to me and try to buy me with my own money." Added Oliver: "Politicians today are too busy getting re-elected. There's nobody minding the store."

The conciliators sifted through the morning's statements to identify topics for discussion. They divided the participants into three groups to discuss spending cuts, wealth creation and government process. The small groups began their deliberations after lunch outdoors on the resort's lush green lawn.



The group votes on a proposal to reduce subsidies and spending: hands up

The members of the group charged with identifying spending cuts—Lim, Black, Williams and Oliver—began arguing almost at once. Lim, the most determined deficit-cutter of the four, pushed for immediate five-per-cent across-the-board spending cuts. Williams disagreed. "There's an intricate balance here, and arbitrary cuts could adversely affect those who still have jobs," she argued. And although Oliver conceded that no program should be exempt from the axe—"nothing is sacred," he said—he clearly had reservations. "We still have to protect those who really need it."

Oliver and Williams joined forces in favor of a proposal to formally review spending before making any cuts. But Lim seemed worried that such a review could drag on for years, turning into what he called a "royal commission" approach. "Once you launch a review, special interest groups get involved and start lobbying," he argued. "Then, things get political." The matter was still up in the air when the group broke for coffee. During the lull, Lim expressed frustration. His group's approach was too cautious, he said, "too Canadian."

After the break, the spending-cuts group began to focus on individual programs. Health care received the most attention, largely because each participant had some anecdote about "waste." Black said that a social worker once told her about a man who needed a prosthetic device. The social worker told him "to spend the money in his bank account so he would qualify for a government hand out," recounted Black, indignantly. Others talked about doctors prescribing sunscreen or prescribing bottled water for use as a laxative.

In its report, the cuts group bemoaned "duplication" and the "layers of bureaucracy" in health care. They also proposed that Canadians be informed about the costs of the health services they use, that doctors order fewer lab tests, that the production of cheaper generic drugs be encouraged. The group also called for user fees on emergency services. Still, by the time they broke for dinner, they had made few significant cost-cutting proposals.

The other groups were struggling, as well. The government-process group—made up of Barker, Meredith, Haywood and Toronto litigation lawyer Craig Lewis—made perhaps the most substantive proposal of the afternoon, agreeing to hasten the abolition of interprovincial trade barriers. Although those barriers are generally used to protect jobs in each province, they tend to drive up prices. "Bringing that money back into the economy outweighs the positive factors of saving jobs," the group said in a statement. They agreed as well that the Senate was ineffective, although they were split over what to do about it. They finally drafted a proposal to either reform *or* abolish the Senate.

The government-process group also floated some ideas that eventually sank. Haywood proposed lumping the Maritime provinces together to eliminate the duplication of services. "Do you think that would be a good idea?" Meredith asked. "I think the Maritimes would have a fit." And farmer Barker complained that the Bank of Canada in the past set high interest rates to cool the overheated Ontario economy, with devastating effects in economically sluggish Western Canada. Barker asked whether it would be feasible to have separate interest rates in different parts of the country. Economist Ted Carmichael outlined the pitfalls of that idea. "Unless we have a Prairie dollar and a Quebec peso," he said, "we're going to have a common monetary policy. And if we don't have a common currency, we don't have much of a country."



"We're basically saying cut, cut, cut. There is another view that should be explored and that is that maybe what this country should do is to basically increase our investment. I for one, am not anywhere near as desperate as the general view that because we have a deficit, we're going to hell in a hand basket."

Carl Beigie, *economic consultant*

The wealth-creation group was made up of Chantal Buron, an unemployed computer technologist from Montreal; Kit Krasemann, a technical

Trafalgar Square, London.



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TOUGH CHOICES

communications specialist from Nova Scotia, Sheila Simpson, a shop owner from St. Andrews, N.B., and Evelyn Goodings, a retired administrative assistant from Welland, Ont. As the group broached a series of wealth-creation proposals, Krasemann argued that Canadians are poor salespeople and that federal training programs should include a sales element. "You can produce all the product in the world," he said, "but if you can't sell it, you come to a dead end." The group also discussed ways in which the country could attract more investors. "In Niagara Falls, N.Y., they attracted factories by offering no taxes for a year," Goodings offered. Countered Krasemann: "That costs money." He suggested searching for ways to generate more exports. "One resource Canada has plenty of is fresh water," said Krasemann. "The Americans in California are prepared to buy." Biron objected: "Very often, we offer them our environment," she said. "I'm against that."



Lim (foreground), an impassioned discussion of user fees

Throughout Saturday's discussions, there was a recurrent theme—government waste. The cuts group had concentrated on abuse in the health-care system. At the same time, in the wealth-creation group, Goodings ridiculed an Ontario government proposal to spend $50 million to put identification pictures on provincial health-insurance cards—intended as an effort to *reduce* fraud in the system. Haywood, meanwhile, complained about the National Gallery's acquisition earlier this year of a $1.8-million abstract painting.

Dinner that evening was a sombre affair. The participants talked about how frustrated they were, and about how little they had achieved. Only Anderson, the economist, seemed invigorated, letting her dinner grow cold as she shuffled through budget documents, trying to calculate the net effect of the day's deliberations. When the group drifted back to the conference room, Willowdale's Black declared: "We got a little taste of what it was like to be politicians this afternoon and try and figure out answers to thorny problems."

Then, a nervous silence fell over the room as the participants waited for Anderson to deliver her judgment. "Well," she said, smiling, "the good news is I don't think that we've *increased* the deficit." That provoked laughter. But Anderson went on to explain that "even something as radical as abolishing the Senate only saves us $55 million." And while she applauded the long-term potential of some of the wealth-creation proposals, "in the short run, what most of those suggestions will have done for us is cost us money." Responding to proposals for eliminating waste, she cautioned that "there's not as much fat left in the system as people think." And after tallying all the groups' recommendations, she estimated that they would cut $4 billion, at most, from the budget. Given a federal deficit of $32.6 billion, Anderson concluded, "we still have a big gap left."

The monumental nature of the task was finally hitting home. Over drinks at a Saturday evening party, and over breakfast the next morning, participants pored over copies of the federal budget. "A deficit will not do," Biron insisted. "We must bring it down to zero. If I leave here this weekend without doing that, I will be extremely disappointed." A new consensus began to emerge. Stimulating the economy to generate more tax revenue or reforming government programs to make them more efficient would clearly have positive long-term effects. But those effects were difficult to calculate. If the participants were going to make a quantifiable impact on the deficit in the one day left, they would have to make drastic spending cuts.

It was in that spirit that the participants reconvened early Sunday morning. The debate started deliberately enough. But with the clock ticking against a departure deadline of 5 p.m., the group decided to make even more sweeping cuts. And when they could not reach complete consensus, they voted with a show of hands, passing some proposals by majority rule. By noon, the group had imposed a 20-minute deadline for debate on each item. As a result, some of the cuts were waved through with scarcely an objection. Other items provoked heated debate. A brief sampling of the key arguments and dilemmas that marked the way to the accord:

DEFENCE

Barker was first off the mark, proposing deep cuts in military salaries and benefits, which total $5.2 billion, or nearly half of the departmental budget. But Goodings protested vehemently. "I have a son in the air force," she said. "He may be $5,000 above the poverty level, but he has a wife and two children to support. I support cuts, but if you're going to cut people that are $5,000 above the poverty level, I disagree."

Goodings's objection was a classic example of how a personal stake in federal spending could cool the deficit-cutters' ardor. But it was only a temporary setback. The group quickly turned its attention to the defence department's capital expenditures, of which the EH-101 helicopters are a part. Helicopters and other such purchases were planned, Krasemann argued, "when there was a Soviet Union—when we had, if you like, a survival threat. We don't any more." The



"If the government couldn't budget in the 1980s when they had full employment, how are they going to do it today with more than 1.5 million unemployed?"

Frank Oliver, *on politicians' mishandling of the deficit*

Ayers Rock, Australia.

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group agreed to cut the military's annual $2.7-billion capital expenditure budget by 30 per cent over three years.

OLD AGE SECURITY

The economists pointed out that anyone whose individual net income exceeds $83,000 now has their OAS payments—which start at age 65—entirely clawed back in taxes. The group voted on whether that threshold should be reduced to $53,000. All 12 hands went up. Should the threshold fall to $40,000? That time 11 hands went up. What about $30,000? "How many people would be willing to go all the way down here?" asked economist Carmichael. "You're really talking about going after people with very moderate incomes at this point." Only two hands went up: those of two of the younger participants, Biron and Lim. The group settled at the $40,000 income level, a decision that would cut $3.2 billion from total OAS expenditures of $20 billion. But later, the senior members of the group wondered at the younger members' willingness to slash away at OAS. "Maybe they haven't experienced the ups and downs in life yet," Goodings suggested. "They may think they'll never get old."

THE CANADIAN BROADCASTING CORPORATION

The group debated the CBC's high level of Canadian programming, its service to isolated communities and its efforts to limit the amount of time it devotes to advertising. "I don't want to see happen to the CBC what's happened to the Via [railway service]," said computer training company owner Meredith. But in the spirit of budgetary restraint, she recommended a 50-per-cent cut to the annual $1.1-billion subsidy, while urging the CBC to increase its efficiency and international marketing. Eight of the participants eventually agreed to cut the subsidy by 30 per cent, or $330 million in total, over three years. (The federal government already has plans to cut the subsidy by $250 million beginning in 1995.) But four refused to sign that part of the deal. "This is one of the times that I won't go with the majority," Oliver declared. "I'll say it just once: I feel the CBC has a service to perform for the country."

HEALTH CARE

The group picked up on a Saturday proposal for user fees. Once again, it was pensioner Oliver who objected. He described the National Health Act, which discourages user fees by cutting federal medicare transfer payments to provinces that apply them, as "the police force over our national health scheme." Without the act, he warned, "you can just rest assured in a few years you will be like the United States." But Meredith argued that user fees could save the system. "Canadian medicare is a very fine system, and we're darn fortunate to have it," she said. "The idea is to allow them to charge user fees in order to preserve it." The group voted unanimously to allow user fees.

At the same time, the group agreed to cut the health-care component of the $26.4 billion in federal cash transfer payments to the provinces. "We either have to decide we're going to maintain the deficit," argued Black, the nursing professor, "or we're going to have to decrease services." A 30-per-cent cut would be feasible, she added, "if we've agreed to reduce the level of services—which may mean you have to give up your heart transplant." Evidently, the group did agree: they voted to support a 30-per-cent cut over three years. But later, Oliver urged a cautious interpretation of that vote. "If I had my druthers, I'd leave medicare alone," he said. "But the signal I think we're sending is that you have to cut out the abuse and the inefficiency. We can't afford it the way it's operating today."



"All of the jobs I see available pay $350 a week. I make $340 a week on UI. I'll just sit back and wait. I'm not stupid. Every time I cash my cheque, I feel guilt. It's like chocolate cake. I say, 'Don't put it in my mouth.' But when it's there, I swallow it."

Chantal Biron, *on why she draws UI despite favoring cuts to unemployment insurance*

EDUCATION

When the group turned its attention to transfer payments for postsecondary education, Williams urged caution. "If we're going to be addressing unemployment insurance, social assistance and becoming more competitive," she said, "I think one of the keys is education." But Black wanted to spread the pain. "There are inefficiencies in the educational field as well as in postsecondary [education]," she argued. Goodings insisted that education is key to wealth crea-

A walk on the wild side

In their struggle to find new ways to slash the federal deficit, the panel discussed several measures—some jokingly—that at first appeared to be pure fantasy. But some may not be that farfetched after all.

Buy used, instead of new, military equipment: The defence department is already buying used. Last December, it purchased 160 trailers from construction contractors to house Canadian peacekeepers in Yugoslavia. Total cost: $4.4 million, about 50 per cent less than new trailers.

A deficit lottery: Lotteries are among the few robust sources of new government revenues. Total lottery profits climbed to $1.64 billion last year from $1.48 billion in 1992. One problem: Ottawa ceded jurisdiction over lotteries to the provinces in 1979.

Ban Canadians from holding more than one job: In an effort to reduce unemployment and spread the available work around, the Italian government prohibits its civil servants from holding down additional part-time jobs.

Reduce the cost of manufacturing currency: The switch, in 1990, from $1 bills to coins will likely save the finance department tens of millions of dollars over the next two decades, in part because the bills only lasted a few months in circulation. As well, as part of a comprehensive study, the Royal Canadian Mint is now assessing the future of pennies—which cost 1½ cents each to produce.

Build retirement communities in Atlantic Canada: While no government has gone so far as to encourage retirees to stay home and spend money in Canada year-round, several provinces are slashing health insurance benefits for treatment outside Canada. After Oct. 1, Ontario's health insurance plan, for one, will no longer pick up the tab for any non-emergency procedures, including checkups, when incurred outside of the country. JOHN DALY

Victoria Harbour, Hong Kong

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tion. "I'm not saying this shouldn't be done," Black replied. "I'm just saying that it could be done more economically." In the end, for the sake of simplicity, the group decided to lump together all federal cash transfer payments to the provinces, with the exception of equalization, and to cut the entire $16.5-billion package by 30 per cent over three years.

OTHER PROGRAMS

The group did not have time to address every budget item. But with the bus that would take the participants back to Toronto ready and waiting in the parking lot, they rushed through a few final deals. Barker, the farmer, was taking some ribbing for having escaped the budget axe, and made a last-minute gesture. "Following through on what we said the other night, that we do it equally, across every segment of society," he said, "I'm willing to take the same cuts—a 30 per cent cut in agricultural subsidies." That put the pressure on car dealer Haywood—the most vocal pro-business advocate—to make a concession on business subsidies. "No bloody way," he joked. But in a more serious tone, he added: "Remember that business does generate jobs." The group finally agreed to cut agricultural subsidies, but proposed a six-month study to determine whether business subsidies are generating wealth—with the option to cut them by up to the same 30 per cent if they are not.



Burns Fry's Carmichael steering the discussion

Along the way, the deficit slashing had begun to alarm the economists. "That is total insanity," economic consultant Carl Beigie exclaimed at one point, after an early suggestion to eliminate the entire $32.6-billion deficit in a single stroke. "The assumption is you can have a balanced budget at 11.6-percent unemployment," he added, shaking his head. And later, just after the group slashed health and education by 30 per cent, Anderson told the group that she was "getting a little bit nervous." Said Anderson: "There are lots of social and economic costs which we're not taking time to address here." Even some participants seemed to have second thoughts in the final hours of negotiations.

Still, in the end, everyone signed the document. "The whole message from this," said Haywood, "is that these 12 people agreed that we're going to have to live on a lower standard, we're going to have to look at people's wages, we're going to have to do with less. I think that's the message—the figures themselves I don't think are that important."

In the days and weeks following, The Briars weekend, the participants would have plenty of time to reflect on the deficit, to have regrets or to pat themselves on the back. But when they signed their final accord, they just seemed relieved that 2½ days of arduous negotiations were over. The last-minute amendments had taken the group down to the wire. Immediately after the signing ceremony, the participants picked up their luggage and headed for the parking lot. Shaking hands with the conciliators, smiling at the cameras for the last time, they boarded the bus for home.

Two weeks later, Krasemann sent *Maclean's* and CTV a letter. "I have had to dump my rather simplistic views regarding this country's deficit and its possible solutions," he wrote. "Cutting of expenditures doesn't necessarily provide a solution. It can merely exacerbate the problems of unemployment, regional disparity and the whole infrastructure that holds this country together. The accord ended up sounding rather like the usual communiqué issued at the conclusion of similar get-togethers of our political masters. Full of high ideals, wistful thinking and hopelessly turgid reading. And rather thin on numbers. We became that which we berated."

It was, perhaps, a harsh assessment. Toronto's Lewis, for one, put a more positive spin on the accord. "I feel that somebody reading this cannot help but absorb the message we're trying to get across," he said, late on Sunday afternoon. "The salad days are over. The government has to spend money more wisely." Still, Krasemann's letter underscored the difficulties he and his fellow participants faced as they grappled with the deficit. Canadians, and their "political masters," would do well to keep those difficulties in mind in this electoral season of high hopes and lofty promises.

MARY NEMETH *with* JOHN DALY *in Toronto*

HIGHLIGHTS FROM THE ACCORD ON THE DEFICIT

A summary of proposals to reduce Ottawa's debt

Preamble

We are ordinary Canadians, brought together for the weekend of Aug. 20 to 22, 1993, by *Maclean's* and CTV to discuss the deficit situation in the federal economy. We are convinced that this deficit and the national debt, which is the accumulation of past deficits, is a major problem in our country. We believe that now is the time to act to reduce and, as soon as possible, eliminate the deficit and begin to pay back the nation's debt.

We have spent the weekend studying what can be done to improve this situation. Finding solutions to the problem of the ever increasing annual deficit is, in our opinion, the responsibility of all Canadians. Each person living in this country has a role to play in averting a debt crisis. We realized that we could not draft a national budget in a weekend, nor could we reform a system in a few days that governments have been unable to control for years.

PROPOSALS TO SOLVE THE CRISIS

We propose to:

1. Make expenditure cuts.

2. Improve government process.

3. Initiate wealth creation strategies.

SPECIFIC PROPOSALS TO CUT EXPENDITURES

1. We recommend that the federal government pass deficit reduction legislation to reduce the deficit over a three-year period. Quarterly budget and cash-flow reports should be introduced.

2. In order to set a model for responsible government, we agree that double-dipping—receiving a pension from one government job while holding another—should be eliminated.

3. GOVERNMENT BUREAUCRACY SHOULD BE REDUCED.

Ottawa's role should focus on establishing and enforcing national standards. Furthermore, the number of federal departments should be reduced in favor of provincial and local bodies.

4. THE HEALTH-CARE SYSTEM SHOULD BE REVIEWED.

a) A user fee ($5-$15) should be paid by patients for hospital emergency services. However, no service should be denied and the patient should receive a bill later.

b) Excessive laboratory tests and associated costs should be cut.

c) Patients should sign a register when they receive services and they should get notification of the cost to:

i) demonstrate the cost of medical services to the public,
ii) catch any abuse in the system.

d) There should be stronger control over what is eligible for coverage in government-funded drug prescription programs. The list of eligible drugs should be reduced.

e) The abuse of prescriptions should be averted by tracking their use.

f) There should be greater emphasis on community-based health care.

g) Chronic care patients should be concentrated in acute care facilities.

h) Measures must be introduced to detect and stop health-care fraud.

5. UNEMPLOYMENT INSURANCE BENEFITS

A) Reform

Benefits should be reduced for repeat users, reduced after an individual earns a certain annual income, and there should be graduated premiums on employers, reflecting their staff turnover rates—the more layoffs an employer makes, the higher the unemployment insurance premiums that employer would pay.

B) Control

i) Retraining and job search assistance should be widely available to unemployed people.

ii) The benefits should be reviewed where:

—Recipients decline a job available in their community at a comparable salary or job level.

—Recipients refuse to take any job where relocation help will be provided if necessary.

6. WELFARE BENEFITS

Anyone who can contribute to society must do so. If they do not contribute, they should not be supported on social assistance.

7. GST

The GST should be frozen at seven per cent and harmonized with any provincial sales tax to reduce administrative costs.

8. PERSONAL AND CORPORATE INCOME TAX

These tax rates should not increase for a three-year period under the condition that the following expenditure cuts are implemented over three years.

A SUMMARY OF SUGGESTED CUTS

PROGRAM	CURRENT BUDGET	PROPOSED BUDGET	ANNUAL SAVINGS
Old age security	$20 billion	$16.8 billion	$3.2 billion
Unemployment insurance	$19.4 billion	N/A	N/A
Major transfers to other levels of gov't	$26.4 billion	$24.8 billion	$1.6 billion
—Lower level of social services is acceptable —The National Health Act should be amended to allow user fees to maintain or upgrade provincial health-care services —Cuts will come from education, health, Canada Assistance Plan—at a rate of 30 per cent over three years —No reductions will be made in equalization payments, since they are enshrined in the Constitution			
CBC	$1.1 billion	$770 million	$330 million
—The subsidy should be reduced by 30 per cent over three years —The CBC should be encouraged to increase efficiency and increase international marketing efforts.			
Native programs	$3.6 billion	$3.2 billion	$360 million
—Savings of 10 per cent are anticipated through the transfer of responsibility from government bureaucracy to native community.			
Government operations	$20.3 billion	$18.3 billion	$2.0 billion
—Reduce the expenditure by 10 per cent annually through targeting specific areas such as multicultural programs, government pensions, "unnecessary projects" and new government buildings including statues, museums etc.			
Defence	$11.3 billion	$10.3 billion	$1.0 billion
—Proposed savings are based on a one-third reduction of capital expenditure over three years.			
Agriculture	$2.4 billion	$1.68 billion	$720 million
—Subsidies to be reduced by 30 per cent over three years in conjunction with an equal reduction in civil service salaries at all levels.			
Business	$3.3 billion	N/A	N/A
—Review subsidies to business to ascertain whether or not they are creating jobs or just expenses. Cut by 30 per cent if they are not creating jobs.			
TOTAL ESTIMATED SAVINGS			**$9.5 BILLION****

****This amount includes potential annual cuts of more than $300 million following a proposed review of business subsidy programs.**

GOVERNMENT SPENDING

In order to address the deficit crisis, we recommend the following:

Provincial trade barriers. While provincial trade barriers may be protecting jobs in the provinces, these barriers must be eliminated as part of the overall strategy of attacking the deficit.

Input to political decision-making. Plebiscites, called Citizen's Questions, should be placed on the ballot at general elections. These questions should not be restricted to deficit issues.

Duplication. There must be strong steps taken to improve the efficiency and effectiveness of federal, provincial and municipal bodies. Where possible, we favor placing resources at the local level.

Accountability. We recommend that each government department have two budgets: capital and operating. This should improve accountability as overruns on operating will be more obvious.

WEALTH CREATION

In order to add to Canada's wealth-creating abilities, we recommend that:

—UI payments must be tied to training.

—UI and welfare recipients should contribute to the community by volunteer work and other efforts.

—Educational opportunities and effectiveness must be improved through co-op education and part-time training.

—More value-added products should be produced.

—Productivity levels should increase.

—An environment that stimulates the private sector and foreign investment should be fostered.

—Entrepreneurship should be encouraged and supported—starting with small businesses.

—Canada should become more internationally competitive.

—Wage expectations must be reduced.

—Education must focus on basic skills and knowledge levels.

—Natural resources must be used effectively to respond to the needs of the time.

Peter N. Nicholson Ken Haywood Mike Lipton
William V. Barker Gordon Edwards Eric Kierans
Frank Oliver Evelyn Gigantes Kit Krasemann
Margaret E. Black

BY LEIGH ANDERSON



A REPORT CARD ON THE BRIARS DEFICIT ACCORD

An economist reviews the merits and flaws of the accord's plan to reduce the federal debt burden

In his 1936 budget speech, federal Liberal Finance Minister Charles A. Dunning vowed "to end in the shortest practicable time the era of recurring deficits." He argued that such a policy would "contribute more effectively to the solution of the problems of unemployment and depression than any other single thing." Judging from the deep budget cuts urged by The Briars participants, Dunning's ghost might have been haunting their deliberations.

Would their plan, if enacted, eliminate the federal deficit by 1996? Not likely. But regardless of the potential impact of the group's proposals, they reflect the urgency, fear and frustration with unfulfilled promises of many Canadians. The participants' target of eliminating the deficit in three years, however, is itself extremely ambitious, especially considering that several of their recommendations for improving government processes and creating wealth require outlays that would negate some of their spending cuts.

On the revenue side, the group decided against raising personal and corporate income tax rates, opting instead to try increasing the tax base by stimulating growth. The participants were also adamant about holding the Goods and Services Tax (GST) at seven per cent. If consumer confidence and spending increase, GST revenues could rise. Also, harmonizing the GST with provincial sales taxes, which could make it less costly to administer, might allow Ottawa to lower the rate slightly. That might encourage some illegal economic activity to come above ground.

Overall, under a best-case scenario assuming 4.5-per cent economic growth, tax revenues could increase by as much as 25 per cent over the next three years under the group's plan. But if the economy stalls, and high unemployment persists, tax revenues would not keep up with expenditures and interest charges on the debt, and the deficit could swell.

On the expenditure side, The Briars Accord recommends that most federal programs be cut by 30 per cent over three years. But equity is not necessarily the most efficient strategy. Some sectors and regions can absorb cuts better than others. Cuts made today to poorer provinces may simply emerge later as increased equalization payments. As well, distinctions must be made clearly between cutting investment, which creates future costs, versus cutting day to day expenses and income-support programs.

TOUGH CHOICES

More than one-fifth of Ottawa's expenditures are transfer payments to other levels of government. The Briars Accord calls for 30-per-cent cuts to two of the largest such programs: Established Program Financing and the Canada Assistance Plan. But unless the provinces also cut spending by 30 per cent, this merely transfers some of Ottawa's deficit to them. And unlike many U.S. states, where drafting deficit budgets is illegal, no legislation exists in Canada to force provinces to be fiscally responsible. The proposed cuts to postsecondary education also conflict with the group's own proposals to enhance educational opportunities.

The participants proposed reforms to reduce patient abuse of the health-care system and to introduce user fees of $5 to $15 for emergency services. Although those proposals would generate some revenues and some savings through reduced use, the burden would fall disproportionately on low-income people. The user-fee debate also diverts attention from a large source of waste in the system—mismanagement. Either way, the group is unlikely to achieve its target of $3 billion in savings. Cuts of that size would mean rationing services.

The suggested cuts in welfare and social assistance are particularly harsh measures with an 11.3 per-cent unemployment rate. During a recession, those payments increase precisely because of high unemployment. Reforms could reduce dependency in the long term, but over the first three years they could also put more people on the street.

Almost everyone has an example of waste in the public sector, making government operations a tempting target for cuts. But since 1984, Ottawa has reduced its real operating costs by 14 per cent. Is there enough fat left to cut an additional 10 per cent a year, given that salaries have already been frozen and departments streamlined? Perhaps. But Canadians will have to accept lower levels of service.

Few programs aroused the ire of The Briars group like unemployment insurance (UI). But in principle, the program is self-funded from employer and employee contributions. Ottawa absorbs the plan's deficit when times are bad, but receives a surplus when unemployment is low. So although UI reforms do not directly cut government spending, they could push people back to work—where work exists.

The group also cut payments to senior citizens by taxing back Old Age Security benefits from wealthy recipients. Seniors are a powerful voting bloc, however, and messing with the OAS plan amounts to changing the rules that they worked under for decades.

Totalling up the numbers, is it likely that the group's annual expenditure cuts of almost $10 billion will cut the deficit by $30 billion in three years? Not a chance. The best-case scenario is that $2.5 billion just reappears in provincial deficits and another $2 billion comes back to haunt Ottawa in increased transfer and income-support payments. Even with the group's hard line on benefits, some tax revenue will be lost due to increased unemployment, bringing the net annual deficit reduction down to $5.5 billion. The worst-case scenario is that the drastic cuts shatter the fragile economic recovery and actually increase the deficit.

By the way, three years after his hardline 1936 budget speech, Charles Dunning reversed his position and introduced Canada's first budget based on the theories of economist John Maynard Keynes. He increased public-works spending in the hope of kick starting the economy. The Briars Accord echoes Dunning's sentiments of 1936. Who knows if the 12 Canadians will reverse their position in three years. They were mostly concerned with sending a signal. And I think their message is clear.

Leigh Anderson is an assistant professor at Carleton University's School of Public Administration in Ottawa.



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The happy side of an untimely exit

BY PETER C. NEWMAN

With no Robert Bourassa safety net, Quebecers will now be less willing to vote for Lucien Bouchard's rogue nationalists

The simultaneous rise of the Bloc Québécois and disappearance from active politics of Robert Bourassa will redefine Confederation. The fact that it happened in the early stages of a pivotal federal election campaign makes this turn of events even more significant.

While it's too early to be certain what the effect on the provincial vote will be, from early indications it seems that Quebecers may now be slightly less willing to take the risk of voting for Lucien Bouchard's rogue nationalists.

The reasoning behind this optimistic interpretation is the notion that Bourassa's absence removes an essential stabilizing influence that allowed sovereignty-inclined citizens to vote against Canada. His presence theoretically gave the province's five million voters maximum clout with minimum risk, because Bourassa—who has dominated the province's politics for most of the past three decades—could be counted on as a safety net. Being neither a convinced federalist nor a dedicated separatist, he was mistrusted by both sides—the ideal Canadian political posture. He would ultimately almost always come down on the side of Canada, but he also understood that the essence of politics was power, not law, and that Quebec could achieve more by challenging the reality rather than the legality of any given situation.

Unlike most of Quebec's premiers, Bourassa was disinterested in rekindling the hazy dreams of chauvinistic glory snuffed out on the Plains of Abraham. He believed in very little that didn't have a bottom line, his political catechism was based on computer spreadsheets. That was the essence of his "profitable federalism" approach. He saw the federal-provincial tug-of war that characterized his time in office as a chance of getting more dollars for his cause. That crusade was to use the expanded powers of Quebec City to push the population into an equal technological partnership with the rest of Canada.

In the process, he played the same word games that had allowed Quebec premiers to thrive ever since Jean Lesage's Quiet Revolution jolted the province into self-awareness in the early 1960s. Bourassa would state unequivocally that Quebec must be a nation without becoming an independent state, and never explain the difference. To the voters it was an encoded message that meant something like "don't worry about our government's tough stance, we'll get all the tax points and jurisdictions we can, but we're not about to unilaterally declare an independent republic straddling the Seaway."

Such tactics aside, he was truly the 20th-century incarnation of Alexis de Tocqueville's dictum that "it behooves moderate men to ensure the success of a moderate republic." Bourassa's resignation marks the departure of precisely the type of enlightened conciliator the 19th-century French savant had in mind. Despite his raging pragmatism—or perhaps because of it—Bourassa was wise enough to view the political process not as a journey between points of departure and arrival, but as an endless voyage of infinite and unexpected contingencies.

What he was really demanding—disguised in the mild-mannered verbiage of constitutional prose—was a form of special status for Quebec. That drove most English Canadians straight up the wall, yet it is an idea solidly rooted in history. At Confederation, Quebec was granted distinctly different rights in at least three sections of the British North America Act, including language and the use of civil law. Before 1867—in fact as late as 1840—Quebecers were a majority in the territory that would become Canada. What Bourassa had in mind was the mildest form of separatism—recognition of the undeniable truth that Quebec was—and is—different. "The distinct society we're asking for," he would explain with impatient zeal, "is not a society of privileged citizens. It is a society with a different culture, a society with a different legal system, a society with specific institutions."

Between the time he was defeated by Rene Levesque in 1976 and his return to power in 1985, Bourassa retreated into the academic world, teaching at Yale, Johns Hopkins University and several European campuses. It was during that extended sabbatical that he softened his stance on federalism, but hardened his position on Quebec's usage of the French language. During the 1980 referendum, he fought "inch by inch, village by village, Rotary by Rotary" on behalf of the federalist cause, but once in power enacted the controversial Bill 178 that massacred English-language rights in the province, setting the stage for the subsequent revenge rejection of his beloved Meech Lake accord.

It's entirely fitting that Bourassa and Brian Mulroney should leave the scene within months of each other. One of the strangest partnerships in Canadian political history—the technocratically inclined Liberal and the populist-leaning Tory—were good friends and staunch allies. In 1976, when the Baie Comeau lawyer was defeated for the Tory leadership by Joe Clark, while Bourassa was bounced out of office by a triumphant Lévesque, the two men faced down personal humiliation and formed a mutual bond that was never broken.

In the 1984 federal election, they exchanged private polling information and the province's chief Liberal organizer, Pierre Bibeau, met regularly with Bernard Roy, then the federal Tories' counterpart, to plot the campaign. In the 1988 election Bourassa and Mulroney collaborated even more closely. On polling day, when the votes had been counted and Mulroney became the first Tory since Sir John A. Macdonald to win consecutive majorities, the first congratulatory call to Baie Comeau came from Bourassa, the Liberal who had helped deliver his province to his friend. There has seldom been a working partnership between partisan rivals quite as close or as essential in keeping the country together.

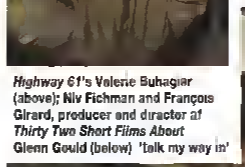
Bourassa's most fitting political epitaph was former Liberal cabinet minister André Ouellet's comment last week. "Brian Mulroney was irreplaceable in Robert Bourassa's heart. Now, Mulroney is gone, and that changed everything."







William Moses (left) of TV's *Melrose Place* at the Bam Bam club; funky festive bash







Highway 61's Valerie Buhagiar (above); Niv Fichman and François Girard, producer and director of *Thirty Two Short Films About Glenn Gould* (below); 'talk my way in'





De Niro (left), lang (above); Debra Winger at *A Dangerous Woman* news conference (below): berets, reclusive tricks



Playwright Brad Fraser, at centre right, with cast of Arcand's *Love and Human Remains* (above); Mehta (below) savoring the atmosphere at the Park Plaza: long nights, rich food and plenty of flesh-pressing

The talk of the town

PEOPLE

On-screen, images of lust and sexual deviation dominated Toronto's 10-day Festival of Festivals. **David Cronenberg**'s cross-dressing opus *M. Butterfly*, **Denys Arcand**'s darkly obsessional *Love and Human Remains*, **Peter Greenaway**'s twisted *The Baby of Mâcon*. But offscreen, it was a different story. Now in its 18th year, the festival had a homecoming feel as stars, power brokers and critics from around the world gathered for what has become one of the favorite and most congenial stops on the international festival circuit.

Toronto director **Deepa Mehta** turned out for the Telefilm Canada bash at the Park Plaza Hotel—even though she didn't have a movie at the festival. "I'm here mostly out of solidarity with other directors," she told *Maclean's*. The creator of the 1991 low-budget hit *Sam & Me* is putting the finishing touches on the much-anticipated *Camilla*, starring **Bridget Fonda** and **Jessica Tandy**. "I've done exactly what I wanted in the past, regardless of the money," she said. "It's difficult to be offered big-money movies all of a sudden. But part of me says, 'Screw it all—go for the big bucks.'"

Speaking of big bucks, **Sam Neill**, star of this summer's blockbuster *Jurassic Park*, turned up at the party for *The Piano*, New Zealand director **Jane Campion**'s winner of the Palme d'Or at Cannes. Sipping a Pimm's cocktail at the hyper-chic club Acrobat, Neill was taking *Jurassic*'s success with a grain of salt. Said the actor, filming in Toronto with director **John Carpenter** (*Halloween*, *The Thing*): "Unfortunately, I didn't have a share of the profits."

At another celebrity-studded party at the Top O' the Senator jazz bar, Hispanic actor **Edward James Olmos**, in town for the premiere of *Roosters*, held forth on a variety of subjects—including Sam Neill. "I can't *believe* he's doing a John Carpenter movie," said Olmos, shaking his black ponytail. "Have you seen those movies? Have you ever watched how children react to the violence in them?" Also rubbing shoulders at the Senator: the gregarious **Lorraine Bracco**, in town for the premiere of *Even Cowgirls Get the Blues*; director **Gus Van Sant**, decked out in a red denim suit, and author **Tom Robbins**. Cloaked in black from boots to beret was singer **k.d. lang**, who collaborated on the film's sound track. At the bar, *Drugstore Cowboy*'s **Matt Dillon** chatted up *Cowgirls* star **Rain Phoenix**.

Even the notoriously shy **Robert De Niro** seemed at first blush, to come out of his shell. His performance at a news conference for his directorial debut, *A Bronx Tale*, got high marks from critics. But afterward, he was up to his old reclusive tricks—dining privately at the very exclusive Prego restaurant and skipping the party scene.

Meanwhile, **Valerie Buhagiar**, star of *Highway 61*, struggled for visibility. Her directorial debut, *The Passion of Rita Camilleri*, was pulled from the festival lineup after airing on Global TV in August. Only later did Buhagiar find out that something else had been pulled, her guest pass. "I'm having to talk my way in, event by event," said Buhagiar.

By midweek, the long nights, the press of the press and the cocktails at Bistro 990—where drinking hours were extended to 4 a.m. in truly un-Torontonian fashion—got the better of many. Canadian **Michael Riley** had starring roles in three festival films: *The Making of... And God Spoke*, *Because Why* and *Mustard Bath*. For Riley, that meant a triple dose of screenings, flesh-pressing and media interviews. Relaxing at the home of his mother-in-law, diva **Maureen Forrester**, Riley summed up the general mood: "It's been a whirlwind. If we get free passes to the closing party, we might go. Or we might just say, 'Nah, we've had it up to here with festival stuff.'" □

PHOTOGRAPHY BY ERN ELDER/MACLEAN'S AND MARKO SHARK

UNDER THE SPELL OF A MADMAN





A new book examines the rise and fall of Rock Thériault's cult of horror

The former cult leader spends 23 hours a day locked in his cell at Kingston Penitentiary. Rock Thériault's crimes defy comprehension: sentenced in October, 1989, to 12 years (later reduced to 10) for a brutal attack that severed the arm of a follower, Gabrielle Lavallée; sentenced in January this year to life imprisonment for second-degree murder in the gruesome death in 1989 of another acolyte, Solenge Boilard. Court testimony has revealed that Thériault, a 48-year-old hustler from Thetford-Mines, Que., committed some of the worst atrocities in the annals of Canadian crime. Yet a new book by two Maclean's staffers, Ontario Bureau Chief Paul Kaihla and Senior Editor Rosa Laver, lays out for the first time the horrendous scope of his barbarous acts—and the terms of a previously undisclosed plea bargain. In return for the Crown's commitment not to press other charges, Thériault pleaded guilty to second-degree murder—and will be eligible to apply for parole as early as 1999.

In Savage Messiah, published by Doubleday Canada this week, Kaihla and Laver recount "a veritable litany of horrors" that police investigators uncovered. The book also examines the vexing question of how 13 of Thériault's followers, mainly young college dropouts and social misfits from Quebec, could fall inexorably under his spell, even as his unspeakable acts of violence escalated. In the following condensed excerpt, Thériault begins to exercise his bizarre hold over his flock as they establish their first commune, in a remote stretch of bush in Quebec's Gaspé peninsula, in July of 1978:

Pitching tents in a clearing, they spent the first week trudging back and forth to the spot on the roadside where they had left their vehicles, lugging in heavy tools, cooking utensils and huge sacks of supplies as if they were pack mules. Rising at 5 a.m. and working until well after sunset, they cut down trees with a chainsaw and began to construct a crude octagonal log cabin to Rock's specifications. The rough terrain made bringing in food difficult, so Rock introduced rationing. "We never ate breakfast," Claude Ouellette recalled. "Theriault would have the women bring us a small lunch portion, but barely enough to keep us going. We were always hungry, always hoping we'd get our fair share at suppertime. And we knew if we disobeyed his orders we'd be punished by receiving smaller portions."

By September the cabin was ready. That same month, to symbolize the group's break from society, Rock assigned biblical names to each of his followers based on their ancient meanings. His wife Gisele became Esther (star), Solange Boilard became Rachel (lamb), Gabrielle Lavallee became Thirtsa (charmer), Francine Lafiamme became Hogla (partridge), Nicole Ruel became Debora (queen bee), Chantal Labrie became Ruth (companion), Josee Pelletier became Noa (comfort). Marise Lambert became Sara (princess), Maryse Gremer became Rebecca (ensnarer), her husband, Jacques Giguère, became Nathan (what God gives), Claude Ouellette became Boaz (the one with strength), Gabrielle Nadeau became Machla (beauty), and Jacques Fiset became Josuah (of whom God is salvation). Having led his tribe into the wilderness at God's instruction, Rock decided to name himself Moses.

A charismatic hustler from small-town Quebec, Thériault (above with his commune 'wives,' and opposite) benefited from a plea-bargain deal that kept evidence out of court

When they weren't working like slaves, Rock lectured his flock about the decadence of modern civilization. To purify themselves they first had to recognize that society was corrupt and evil—Rock called it "the world of the dead." Their families were among the worst transgressors. Night after night, Moses coaxed his hungry and exhausted followers to bare their secrets and discuss their troubled childhoods. As the list of grievances grew, he replayed them over and over again as evidence that their parents were agents of Satan. Now, deep in the bush and safe from society's depravity, they had a new family. Rock was the father, Papy. Gisele was their mother. Mamy.

"Thériault entrenched this image in us," Marise Lambert remembered. "We were not allowed to speak of any happy family memories. We always tried to denigrate our parents because our parents were supposed to be bad. Our parents didn't give us good things. Anything that was good had to come from Rock."

The hunger, sleep deprivation and constant frenetic activity left Rock's followers even more vulnerable to suggestion. "We really believed that he was a representative of God," Gabrielle said. "I remember listening to him at one point and thinking there was something strange going on here. I told myself that I had to find five minutes the next day to think about it. But there was never any time."

On the surface, it seemed simple: a dominant figure taking advantage of a collection of weak-willed acolytes. But on a deeper level, Rock and his followers had developed a kind of mutual dependence. His entire adult life had been spent trying to impress others and gain their approval. Now, he was surrounded by a group of people whose admiration for him knew no bounds. In their weakened states they had come to depend on him for the necessities of life. Driven by feelings of worthlessness and self-doubt, they sought to submerge their own identities in a more powerful and glorious entity. The harder Moses drove them, the more they sought shelter under the umbrella of his strength. It was as though the very act of suffering reinforced their psychological bond to Rock, just as their abject subservience supported his claim to be their absolute master. They needed him as much as he needed them.

As the obsequiousness of his followers fuelled his delusions, Rock's obsession with religion became more intense. He seemed to find precedents in the Bible for every aspect of the group's existence. His favorite passages in the Scriptures were the stories of King David and King Solomon, epics filled with violence, intrigue and calamity—and a seemingly unlimited supply of concubines. It wasn't long before Rock decided that it had been selfish of him to withhold his sexual benefaction from the other women in the group.

The turning point came in October after Gisèle, who was six months pregnant, mentioned to Rock that several of the unmarried women were lonely. He had forbidden the single men and women in the group to sleep with each other or to mix with outsiders. "Finally I went to

Reprinted with permission from *Savage Messiah: The Shocking Story of Cult Leader Rock Theriault and the Women Who Loved Him*, copyright © Paul Kaihla and Ross Laver, published by Doubleday Canada Ltd.

him," Gisèle recalled, "and said, 'Rock, it's not normal. Those girls need men, and the men need women.' He looked at me strangely. And after that he went to the girls and said, 'You know, Mamy said you need men. You can't survive without men—it's the law of nature.' He put it in their minds that it was my idea."

A few nights later, Nicole told Gisèle that she'd had intercourse with Rock in one of the lofts, while everyone else was working outside. Devastated, Gisèle ran off into the bush crying, with Rock in hot pursuit. He caught her, threw her on the ground and began to choke her. His eyes were wild with rage. "My name is Moses and I am your master," he screamed. "You will obey me. If you don't do what I tell you, the Lord will crush your skull."

Then, one by one, Rock took each of the women to be his wife, with the sole exception of Jacques's wife, Maryse Grenier. "It began during that first fall in the Gaspé," Marise Lambert recalled. "It was one marriage ritual after the other, over a period of months. He planted the idea, using the story of King David and his wives. Some of us had no boyfriends or husbands, and we were out in the woods. So we weren't opposed to this. In the Bible, the harem was very beautiful and good."

As Thériault began to play out his sexual fantasies with the commune women, he abandoned what remained of his holistic lifestyle. The one-time proponent of vegetarianism and natural healing was suddenly consuming meat again and devouring Pepsi and potato chips as if they were going out of style. Many of the groceries were donated by sympathetic area residents, who made regular runs into the compound that winter by snowmobile. Not all of the contributions were charitable. On at least one occasion, Rock ordered Gabrielle to have sex with a local shopkeeper in return for milk, meat and cheese. She complied reluctantly, hoping to please her master.

After two years on the wagon, Rock had also rediscovered his love of alcohol. At first, it was just ceremonial wine, which he purchased by the case to use during prayers and while reciting from the Bible. Soon he graduated to beer and bottles of cognac. He could drink for hours without slurring his speech, but after downing half-a-dozen beers he would become boastful and belligerent.

Alcohol frequently evoked a kind of monstrous brutality in Rock. Often when he drank, he would keep his followers up all night. If anyone dared to fall asleep during one of his rambling sermons, he would grab a four-inch thick wooden club and beat the offender in full view of his frightened assembly.

One of Rock's favorite targets was Maryse Grenier's baby boy, Samuel Giguere. As with every child who was not his own, Rock considered him an "animal" and ordered that he sleep apart from his parents in an unheated workroom. When Samuel cried, Rock instructed Jacques Giguere, the infant's father, to strip him naked and roll him in the snow. The young child's feet turned purple and his penis swelled up from sleeping on the cold ground.

Once, when Maryse Grenier began to talk about leaving the commune, Rock instructed Jacques to discipline her by cutting off one of her toes with an ax. Jacques shuddered at the thought of harming his wife, but Rock kept goading him. "What are you, a faggot?" he yelled. "Don't you have any balls? If you want to be a man, you have to learn how to teach your woman a lesson." Jacques broke into tears. Rock then grabbed the ax and threatened to cut off all of Maryse's toes. Reluctantly, Jacques took the ax back. Aiming carefully so that he would not do more damage than was necessary, he swung and severed one of his wife's small toes.





Thériault's loyal followers suffered under his command. Gabrielle Lavallée (above) had her right arm amputated in a brutal assault. Solange Boilard (below with her 'master') suffered many times at his hands before dying an agonizing death in 1988.

In 1982, Thériault was convicted of criminal negligence in the death of an abused two-year-old boy on the commune. Released from jail in 1984, he relocated his group on an isolated 200-acre tract of partly cleared land near Burnt River in central Ontario, 50 km northwest of Peterborough. Soon the pattern of brutality re-emerged. Acting on reports of child abuse, the local Children's Aid Society raided the commune in late 1985 and placed all 14 children in foster homes. In the following months, CAS workers documented a shocking litany of physical and sexual abuse. But what appeared to be a clear-cut case for making the children permanent wards of the Crown encountered unexpected opposition from an independent team of child-abuse experts that had been asked by the family court to assess conditions at the commune.

With all of the evidence the Children's Aid Society was compiling, CAS worker Georgia Brown felt sure that the application for Crown wardship, allowing the foster families to adopt the children, would be an open-and-shut case. Early on, Rock himself had said that he did not intend to contest the application because it would be "too expensive."

What the CAS hadn't bargained on were the findings of the court-ordered independent assessment. Incredibly, the team filed a 300-page report strongly recommending that every one of the children be returned to the Burnt River compound as soon as possible.

The assessment had been bungled from the start. Although the request for the evaluation was issued on Dec. 10, 1985, it took the director of the family court assessment clinic until March to find a francophone who was willing to oversee the project. The director gave the contract to Rheal Huneault, the dean of social work at Sudbury's Cambrian College and the former director of a Children's Aid Society in eastern Ontario. Huneault's job was to prepare a social history of the commune, based in part on records compiled by social workers in Quebec.

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Huneault hired a bilingual professor from Sudbury's Laurentian University, Dr Martine Miljkovitch An expert in child abuse who received her doctorate in clinical psychology from the University of Paris in 1972, Miljkovitch knew Huneault because both were called in by the Sudbury CAS from time to time as consultants in cases involving francophone families.

Miljkovich set herself up in a borrowed office in the CAS headquarters in Lindsay, Ont. There, in a matter of a few weeks, she interviewed all eight of the commune wives and Rock himself. She also performed psychological tests on eight commune children between the ages of 3 and 9, spending about three hours with each (the other children were deemed too young to be evaluated).

One of the problems Miljkovitch concluded, was that the commune adults exposed their children to sex at an "unreasonably early age." Among other things, they were allowed to assist with childbirths, play with each other sexually and watch while adults made love and masturbated.

"It was an extremely liberal sense of sexuality,' she said in a June 1993 interview. "There was a kind of naive attitude that you have to expose children to these things because they are part of nature. Certainly, the children were allowed to have sexual activities among themselves, but the principles behind it weren't bad. Rock Thériault would also demonstrate how the penis worked by masturbating in front of the children. But he didn't do it for his own satisfaction, he did it as a form of education. I thought that was an important distinction."

In fact, in her written assessment and during 11 days of testimony at the wardship hearing in the fall of 1986, Miljkovitch praised Rock's pioneering spirit and his courage and fortitude in leading his group back to nature. By contrast she said the government workers who had dealt with him since his arrival in the province were heartless and barbaric.

Seven years later, Miljkovitch stands by her assessment. During the 1993 interview, she insisted that it was unfair of the CAS to intervene so forcefully. "I think Rock was drinking from time to time but I don't think he was abusive to the point that the children should be taken away," said Miljkovitch, who is now chief psychologist for Sudbury's French-language public school board, in addition to her professorship at Laurentian. "You have to understand that he was under so much stress."

Had it not been for Miljkovitch's recommendation to return the children to the commune, the hearing on the Crown wardship application might have lasted only a few weeks. Instead it continued for 45 days over a period of eight months with 30 witnesses and 45 exhibits. Rock and his disciples showed up on the first day of testimony and then walked out. They fired their court-appointed lawyer and ignored repeated requests to return.

It was just as well because Judge Lucien Beaulieu had little time for Rock and his antics. His 83-page ruling and reasons for judgment—which is dated Oct. 26, 1987, but has never been made public—painted the commune leader as a calculating dictator who had taken over the lives of his followers and controlled them like sheep. Concluding that there was a substantial risk that the children would be "sexually molested or exploited" if they were returned to their group, he ordered that they be made wards of the Crown, with no parental access.

The judge also had plenty of things to say about Huneault [and] Miljkovitch—none of them flattering. "After having seen the way they handled themselves during cross-examination, the court finds their testimony to be unreliable," he wrote. On top of that, he added, Miljkovitch and Huneault were unqualified to carry out the assessment. They had used none of the standard techniques for uncovering abuse, failed to interview the foster parents, performed no psychological assessment of the natural parents and made no attempt to ascertain how the parents related to the children. Their findings were "disconcerting, illogical and without any stated purpose."

In sum, Judge Beaulieu said, the assessment team's submission was "one of the most deplorable reports the Court has ever seen."

Over the next two years, Thériault's violence reached a crescendo. On Oct. 6, 1989, police arrested the cult leader and several of his followers on assault charges related to the brutal amputation of Gabrielle Lavallée's right arm. At the time, the authorities were also getting their first sketchy accounts of an even more horrifying incident on the commune in the previous year—Solange Boilard's agonizing death the day after Thériault cut her open and tore out a section of her intestines. As he pleaded guilty to the assault charges—presumably thinking that would put an end to any further investigation—Thériault was unaware that police were starting to look into Boilard's death. On Dec. 18, 1990, an Ontario judge, concluding that there was insufficient evidence to suggest that the killing was premeditated, committed Thériault to trial on a charge of second-degree murder. But the legal dealing did not stop there.



An Ontario family court judge ridiculed a report by child-abuse experts who concluded it was safe for Thériault's children to return to the commune. The judge made the children wards of the Crown

There was even a pretty good chance that Julian Falconer, Thériault's legal-aid lawyer, could knock the second-degree murder charge down to manslaughter by emphasizing that his client had been drunk at the time of the "operation." If that happened, Rock would be out on the street within two or three years.

But the cops had one last weapon in their arsenal. Diligently, Ontario Provincial Police (OPP) Det. Const. Bob Bowen had compiled an exhaustive file on the major injuries sustained by each of the commune members. In some cases, he interviewed the victims four or five times, taking dozens of photographs of their scars. Those who were still loyal to Rock, like Nicole Ruel, refused to co-operate with the investigation, so Bowen subpoenaed their prison medical records. In the end, he catalogued 84 attacks Rock had committed against his followers since the cult had moved to Ontario in 1984. Bowen and his superior, Det. Insp. Bob Adams of the OPP criminal investigations branch in Toronto, were hoping to use the 277-page brief to have Rock declared a dangerous offender. A successful application would keep Rock behind bars indefinitely, with no automatic entitlement to parole.

When Falconer got wind of the evidence that Bowen had compiled, he decided it was time to make a deal. His client would plead guilty to the second-degree murder charge in return for a commitment that the Crown would not press charges on any of the other criminal acts that had come to light during the three-year police investigation. That would force them to drop the dangerous offender application. Not insignificantly, a guilty plea would also ensure that most of the details of Rock's sordid behavior over the years never entered the public record. □

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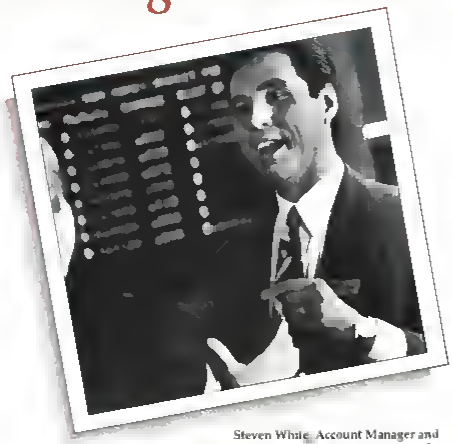
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BOOKS

Salt of the earth

Ken Dryden looks inside a perfectly ordinary life

THE MOVED AND THE SHAKEN
By Ken Dryden
(Viking, 306 pages, $27.99)

They are both white men of 46. But their lives are utterly dissimilar. Ken Dryden, a former star goaltender for the Montreal Canadiens, lawyer and author of two best-sellers about hockey, stands at the very pinnacle of success. Frank Bloye, a high school graduate who works as a customer service representative, is the epitome of the average Canadian. Bloye's is the kind of life that rarely comes under scrutiny. A father of three, he has been married to the same woman for two decades. They live in the Toronto suburb of Scarborough. He has worked for Imperial Oil for 21 years. Yet Dryden made him the subject of his latest book, *The Moved and the Shaken*. The author explains in his epilogue that he wanted to understand "ordinary" Canadians, those who spend their lives in obscurity, largely unnoticed by the politicians who claim to represent them. But in the masses of banal detail—the tube socks and freeway commutes—that fill virtually every page, it is often hard to spot the essence of Frank Bloye. In this case, an uneventful life makes for a mostly uninspiring read.

Over five years, Dryden spent many hours with Bloye and his family. The seventh of eight children from an Irish-Catholic home, Bloye was a poor student (he later discovered that he is dyslexic). Through sheer persistence, he graduated from high school at 21. That struggle helped convince him that he would never achieve more than a modest lifestyle, and he resolved to put his family first.

Despite his research, Dryden fails to make his subject compelling. And Bloye's motivations emerge only rarely. Near the end of the book, he says that he has the best life he could have made for himself. Now, he wants to be left alone. Dryden never adequately explains why Bloye agreed to the book in the first place. And instead of going to the vital centre of Everyman, the author merely maps his surface.

PATRICIA CHISHOLM

THE TORONTO HOSPITAL IS PROUD OF ITS TRADITION OF EXCELLENCE



in patient care, teaching and medical research. In the following pages, we present our 1992-1993 Annual Report. The stories of Grant, Milly, Peter and Lucia are unique but they also represent the 38,000 in-patients treated annually at our 1200-bed facility. They illustrate the four areas—Oncology, Cardiac, Transplantation and Neurosciences—designated as priority programs by The Toronto Hospital and the community it serves.

Today, eighty per cent of our patients come from the Greater Toronto Area with the remainder from other parts of Ontario and beyond. Most of these patients have already been seen by a family physician or at a local community hospital. For them, their next step was a referral to The Toronto Hospital.

Dr. Alan R. Hudson
President and Chief Executive Officer



One-third of spinal cord injuries occurring in amateur hockey leave young, healthy athletes in wheelchairs for life. The Toronto Hospital has taken a leadership role in preventing disabling and life-threatening sports injuries. Two Hospital-based organizations – Think First Canada and SportSmart Canada – work in partnership with others to promote safety in sports through public education.

GRANT COUNTS HIS BLESSINGS EVERY DAY.



The twenty-year-old Mississauga hockey player's lifelong dream of pursuing a professional hockey career was sidelined by a serious tumble into the boards three years ago. A cross-check from behind during the second period of a Junior league game in Sudbury snapped the defenceman's neck.

"I was paralyzed for two to three minutes while I was on the ice," Grant Marshall recalls. "I was scared. I didn't know what was happening to me."

Grant was taken to Sudbury General Hospital where doctors told him he had a broken neck and a shattered vertebra which was pressing on his spinal cord. One wrong move of Grant's neck would have left him paralyzed for life. With so much on the line, he asked to be sent to The Toronto Hospital on the recommendation of family friends.

Dr. Charles Tator heads The Toronto Hospital Neurological Centre—one of the largest of its kind in North America. The 10 neurosurgeons on staff perform more than 2,000 operations a year.

"The Neurological Centre here is unique," Dr. Tator says. "It is staffed by a highly skilled team of health professionals with a wide range of expertise. The Centre is equipped with sophisticated technology, and it's the use of this technology which enables people to walk again. Grant was flown to Toronto by air ambulance where doctors at The Toronto Hospital recommended surgery. The operation was complicated and longer than usual—seven hours in duration. With the use of microscopes, Dr. Tator and his team removed Grant's shattered vertebra, removed a bone from his pelvis and replaced it in his neck and fused his spine.

The surgery was followed by a 10-day hospital stay, with Grant going home the day before Christmas. During his recuperation at home, Grant kept his spine immobilized by wearing a specially designed piece of equipment called a halo vest.

Five months after being told he would never be able to play hockey again, Grant laced up his skates and skated onto the ice to play the last hockey game of the season. "I felt great. I wasn't nervous at all. I felt strong in my ability to play and I believed in what the doctors had done for me."

Last year, Grant's childhood dream came closer to a reality. He was the first draft choice of the Toronto Maple Leafs. "Thanks to the doctors at The Toronto Hospital," he says, "I have been given a second chance to pursue my dream."

On August 13, 1993, the Toronto Maple Leafs announced the signing of Grant Marshall to the team. ❧

My Hospital ❧ My Community

OUR MISSION TO PROVIDE EXEMPLARY PATIENT CARE

must be balanced by our ability to manage The Toronto Hospital's fiscal and human resources within limits set by funding and guided by local, provincial and national needs.

SUMMARY STATEMENT OF REVENUE AND EXPENSES

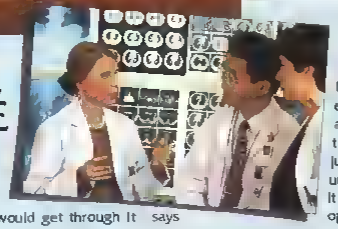
REVENUE	1993	1992
Ministry of Health	366 727	358 595
Patient Services	43 896	44,335
Research and Academic	29 081	24 256
Other	53 863	51 883
	493 567	479 072
EXPENSES	**1993**	**1992**
Compensation	304 460	304 803
Drugs and Medical Supplies	52 254	50 246
Research and Academic	29 081	24 256
Facilities and Equipment	25 729	20 390
General Administration	22 900	26,415
Depreciation	20 688	17 970
Other	39 792	39 785
	494 904	483 865
Deficiency of [illegible]	[illegible]	(4 793)

Above is the Summary Statement of the Revenue and Expenses for the Operating Fund which includes all of the patient care, research and teaching activities associated with the operations of the Hospital. With tight budgetary control, the Hospital ended the year with only a small deficit in the Operating Fund.



Since the turn of the century The Toronto Hospital has been the principal teaching hospital of the University of Toronto. Each year, approximately 2300 nursing and undergraduate / postgraduate medical students receive their training on-site. The Hospital also trains a wide variety of other health care professionals such as pharmacists, social workers, chaplains, physiotherapists and technologists.

"THERE WERE MANY TIMES



I didn't think I would get through it," says Milly Bouckley. But she did. And seven years after she was diagnosed with leukemia, fifty four year old Milly is healthy, active and thankful to be alive.

In 1986, life was good. Milly's husband Ron had just retired early, and after twenty years as a full-time secretary, Milly had switched to casual work. She and her husband looked forward to winter months in Florida, and time to relax.

But a new medication prescribed for Milly's epilepsy began causing a lot of nausea. A blood test revealed a low white blood cell and platelet count. Several more tests confirmed the real culprit – leukemia. Milly remembers her reaction. "You're scared, you're terrified."

The haematologist at Oshawa General Hospital referred her to The Toronto Hospital, one of the world's largest leukemia treatment and research centres. The Hospital's Oncology program is also known across North America and internationally for its expertise in breast-, lung and gynaecological cancer, malignancies of the head and neck and lymphoma.

Milly was hospitalized almost immediately to begin an intensive daily chemotherapy treatment. The Toronto Hospital had recently established Ontario's first autologous bone marrow transplant program, and just over a year later, she underwent the procedure. It is a successful treatment option for many leukemia patients who are in remission.

Under the procedure, a patient's own bone marrow is harvested while they are in remission. A massive dose of chemotherapy and radiation then destroys all their bone marrow, and they are reinfused with their own healthy bone marrow which gradually rebuilds their blood. Since the program began, over 250 patients have had transplants.

Milly's road back from the transplant was a rough one. Her immune system recovered slowly, and she was plagued with infections. Her weeks in hospital stretched into months. Once home, there were more challenges as she struggled to regain her strength. She remembers going up and down the stairs, one exhausting step at a time, her hand on her husband's shoulder.

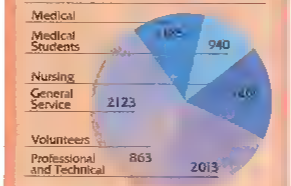
"I didn't know whether I was going to survive," she says, "but I wasn't going to sit here worrying."

With her struggle behind her, Milly is hard-pressed to define what kept her going. "I don't know whether its faith, or determination, or positive thinking," she says. "You can get depressed, but you can't stay depressed. When life hands you a lemon, you make lemonade." ❧

THE SOUND FINANCIAL

position was in no small way attributable to the staff who know and understand the importance of cost-effective patient care combined with a keen sense of developing new and innovative treatment protocols to reduce the cost of patient care.

OUR HOSPITAL STAFF, STUDENTS AND VOLUNTEERS



1992/1993

A COMPARISON OF DAY CARE VISITS TO ADMISSIONS

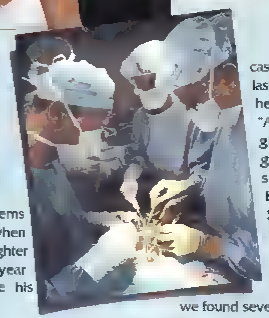


Particularly noticeable in recent years has been the trend to reduce the Hospital's reliance on costly in-patient care. For example, more and more procedures are now being done on an out-patient basis using specialized clinics and day bed units in medicine and surgery.



The Toronto Hospital is a world leader in cardiac research. Hospital breakthroughs include the invention of the pacemaker, the first human heart valve transplant, both the use of hypothermia and the drug heparin for heart surgery, and the first coronary ICU. The Hospital recently introduced an innovative concept for heart surgery with the elimination of routine stays in intensive care.

"I MIGHT NOT HAVE BEEN HERE FOR THIS,"



is a phrase Peter Mitchell seems to say often. It slips out when his fourteen-month-old daughter says a new word, his four-year old son draws a new picture, his wife gives him a hug.

Peter, 32, lives with his wife and two children in Collingwood. He was born with a defect in his heart's aortic valve, but two valve replacements while he was growing up in England allowed him to live a normal life. Until one morning in April 1993. A bacteria, which probably came into his bloodstream through a small cut, caused an unusually severe infection throughout Peter's body. His heart was dramatically affected.

Peter was rushed to Collingwood General and Marine Hospital. "No one thought he would make it," says Peter's wife, Michelle.

He was quickly transferred to a Toronto-area hospital, but his condition worsened. Peter's lungs had collapsed. The infection brought on a dangerously high fever, and delirium set in. "I lost a whole week that I don't remember," says Peter.

His situation called for emergency surgery. Peter was taken to The Toronto Hospital, the largest cardiovascular centre in Canada, and a centre with vast expertise in complex cardiac cases. The Toronto Hospital last year performed 2 100 heart operations.

"Antibiotics were being given, but Peter was going downhill fast," says Dr. Tirone David, Head of Cardiovascular Surgery. "The bacteria was very aggressive and burrowed several holes in his heart. In the operating room we found several abscesses around his artificial heart valve. We removed a lot. We took out the aortic valve – the valve which allows blood to flow out of the heart and into the body – along with surrounding tissues that were also infected. Then we implanted a new aortic valve."

Removing all infected tissue in a heart valve operation like Peter's is a surgical procedure which The Toronto Hospital pioneered. Dr. David was one of the first to perform this type of procedure in the early 1980s with amazing results.

Fifteen years ago, less than 50 per cent of patients with massive infections in their artificial heart valves survived. In spite of antibiotics and surgery. Now, with Dr. David's approach, the success rate is over 95 per cent.

"Only four days after the operation I was up and walking," Peter says. "Now I can pick up my kids again, I've never spent so much time with them. I have a real appreciation of life now." ❧

BOARD OF TRUSTEES

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Last year more than $25 million in grants and awards was received by The Toronto Hospital to fund research. These funds are awarded for scientific excellence and reflect the commitment of our researchers in their quest for improved patient care and health promotion. Included in this amount was a $2.1 million grant from the Medical Research Council of Canada to investigate organ failure after transplantation.



A FEW SHORT DAYS IS ALL IT TOOK

for Lucia Di Rosa to go from being a healthy university student to a woman tottering on the edge of death.

Feeling sluggish and experiencing terrible pains in her joints the twenty-five-year-old doctoral student visited her family physician. Her doctor suspected hepatitis, an inflammation of the liver, and conducted tests. But by the next day Lucia felt so ill her parents took her to the Emergency Department of her local hospital in Toronto, Northwestern General Hospital. There the diagnosis was confirmed, but with a terrifying twist. The viral hepatitis attacked Lucia's system so rapidly it caused her liver to shut down, and she slipped into a coma. Her parents were told Lucia was dying—only a liver transplant would save her life. That same day, November 3, 1992, Lucia was transferred to The Toronto Hospital where she was placed on a waiting list for an emergency liver transplant.

The Toronto Hospital is one of three transplant centres in Ontario. More than 200 liver, kidney, lung and heart transplants are performed each year. Here, many patients who need life-saving transplants are given a second chance. Such was the case with Lucia. Five days after her arrival, a liver match was found for her, and she went into the operating room for the eight-hour transplant.

"The staff were concerned about my reaction to the liver transplant," Lucia says, adding she didn't recall many of the events that took place after she became ill. "But I was just so happy to be alive—that was all I could think about."

Since organ transplantations were first performed, the success rate has steadily climbed. Last year, 92 per cent of patients undergoing liver transplantation at The Toronto Hospital survived to lead full, active lives; their life expectancy is close to normal once they pass the six-month mark.

"The survival rate for transplantation is very dramatic," says Dr. Gary Levy, Director of The Toronto Hospital Multi-Organ Transplant Program. "Transplantation has now proven to be an effective form of therapy for patients with organ failure."

Two-and-a-half weeks following her transplant, Lucia experienced her proudest moment. Doctors allowed her to attend her convocation where she accepted her Masters Degree in Italian Literature. "I'll never forget the experience," Lucia says. "I was happy to be graduating, and I was happy to be well enough to attend."

Lucia realizes her luck in receiving a liver in such a short time. "If someone hadn't donated his or her liver, I would not be alive today. Somebody gave me back my life." ❧



Walker in action against the Phillies, playing late-season games that matter

SPORTS

Back from the dead

The Montreal Expos resurrect their season

The ball had heartbreak written all over it. With a runner on second base and two out in the ninth inning last week in St. Louis, the Montreal Expos were clinging to a slim lead when the Cardinals' Todd Zeile hit a dangerous-looking drive into left-centre field. The Expos needed the win to bolster their bid to capture the National League East, and the outfielder on the spot was one Rondell White, a 21-year-old with just eight games of major-league experience. But the rookie gave chase and, with a twisting, headlong dive, snared the ball just before he splashed down onto the turf. The improbable catch preserved the Expos' 16th victory in 17 games and closed the gap between them and the division-leading Philadelphia Phillies. "Now, I know how Lazarus must have felt," said Felipe Alou, the Expos' 58-year-old manager and father figure.

Meet the Montreal Expos, Canada's *other* major-league team. While the star-studded Toronto Blue Jays were making their expected bid to repeat as World Series champions, the Expos were playing the best ball in the game—and finally getting some notice. Only 10 Expos games this year were broadcast on English network TV in Canada. And even most Montreal fans had given up earlier in the season, when the Phillies—a team of guys with nicknames like Dutch and Krukkie and Nails—grabbed the NL East by the throat. As recently as Aug. 20, Philadelphia held a 14½-game lead over Montreal, and attendance at Olympic Stadium was woeful, averaging about 19,000 a game. The pressing sports question in Montreal was: when do the Canadiens begin their season?

But something strange happened on the way to The Forum. The Expos suddenly soared while Philadelphia staggered (evoking images of the 1964 Phillies who blew a 6½-game lead in the season's final 12 games). "Every night I'd look up at the out-of-town scoreboard and expect to see Montreal winning," lamented Philly catcher Darren Daulton. Most of the time, they were. The numbers were still against the Expos heading into last weekend's crucial three-game series with the Phillies at the Big O. But even if they come up short, the Expos will at least have earned respect around the league—and brought their fickle fans back to the ball park. "If we can carry this through," said team president Claude Brochu, "we might even be able to make a small profit this year."

The 25th-anniversary edition of the Expos possesses a collection of wondrously talented young players such as second-baseman Delino DeShields, pitcher John Wetteland and regular outfielders Marquis Grissom, Larry Walker and Moises Alou, the manager's son, who broke his leg last week and will miss the rest of the season. But they are drowning in a sea of blue, having lost a generation of Canadian fans to a Blue Jays team that plays in a better stadium in a better business environment—with generally better on-field results. "If we were to win this year, people would be piling on our bandwagon, too," says Walker, a native of Maple Ridge, B.C. "But there's no doubt that they have a higher profile. They're always on TV. It's like they have their own superstation."

The Expos' rebirth can be traced directly to their starting pitching. Unwilling to add a substantial salary to bolster a faltering staff, the Expos called up 23-year-old Kirk Rueter from their minor leagues—and watched the crafty left-hander win his first eight decisions. They also transformed hard-throwing lefty Jeff Fassero from a reliever into a successful starter. But psychologically, the revival began with a seemingly harmless popcorn fight on a chartered flight from San Diego to Pittsburgh on July 25. The senior Alou felt that it was an embarrassing reflection on the organization, and convened a rare closed-door team meeting. "We were so young and inexperienced," said Alou. "I just didn't want us to lose our focus. The season still had a long way to go and things could have fallen apart completely."

The final galvanizing episode was a decision by veteran pitcher Dennis Martinez on Aug. 26 to stay with the team rather than accept a trade to Atlanta. Martinez, who had the right to block the deal because of his seniority, was not interested in becoming an occasional starter on the pitching-rich Braves, and he also felt some loyalty to Alou. "That decision," says DeShields, "opened a lot of eyes in the clubhouse"—and touched off the winning streak.

The bad news, of course, is that financial constraints will inevitably prevent the Expos from keeping this young, exciting and soon-to-be expensive core of emerging stars together. In an age of rising salaries and rapid turnover, the team may have to trade some of them to keep its payroll down. But for the moment, the Expos are focused solely on the current stretch drive. "We don't talk about the streak or even how many games back of the Phillies we are," said Grissom, one of the players most often mentioned in trade speculation. "In fact, I couldn't even tell you when we got hot. What's good is that it's late in the season and we're playing games that are important."

JEFF BLAIR in *Montreal*

Jeff Blair covers the Expos for the Montreal Gazette.

MEDICINE

Tracking a killer

Alzheimer's may soon be a treatable disease

Memory lapses are one of the first clues. As the disease progresses, victims get lost in their own neighborhoods and even in their own homes. Unaware of what is happening, they regress to a childlike state, bringing anguish—and constant anxiety—to their families. Eventually, the patients lose control over their bodies and lie curled up in bed. So far, there is no cure for Alzheimer's disease and precious little that can be done for the estimated 160,000 mostly elderly Canadians who suffer from it, other than to care for them with compassion. Now, following a series of research breakthroughs, scientists have begun to look at Alzheimer's disease in new ways and to lay the groundwork for effective treatments that could emerge by the end of the century. Dr. Ivan Lieberburg, vice-president in charge of Alzheimer's research at San Francisco's Athena Neurosciences Inc., a biotechnology company, predicts that "there will be therapies almost certainly by the year 2000—treatments that will really slow or alter the course of Alzheimer's."

The quickening research pace was certain to be a dominant theme at a conference in Toronto this week of organizations from 30 countries representing health-care professionals and the families of Alzheimer's victims. In one thrust, scientists during the past three years have begun to track down genes that apparently play a role in Alzheimer's. Though the disease probably has more than one cause, knowing which genes are involved is almost certain to yield understanding of—and eventually ways of treating—a baffling disease. At the same time, a Vancouver chemist and physician, Dr. Pat McGeer, and his American partner, neurobiologist Joseph Rogers of the Sun Health Research Institute in Sun City, Ariz., have challenged orthodox thinking about Alzheimer's by suggesting that an attack by a patient's own immune system may be responsible for killing brain cells.

In a test carried out among 28 Alzheimer's victims last year, McGeer and Rogers showed that treating them with an Aspirin-like compound called indomethacin that reduces inflammation resulted in a slight improvement in the mental ability of Alzheimer's patients. In a control group, patients who did not receive the drug continued to decline. While some researchers say that it is too early to evaluate the work of McGeer and Rogers, others say that the two men may have opened an important avenue of research. "It's very exciting, very promising," says Zaven Khachaturian, director of Alzheimer's research at the U.S. National Institute on Aging in Bethesda, Md. "Their theory deserves to be tested more widely."

McGeer and Rogers began collaborating eight years ago, after Rogers found evidence of immune system activity in the brains of Alzheimer's victims and wondered what role that might play in the disease. When Rogers discussed his findings at a 1986 meeting of the American Society for Neuroscience in Dallas, he recalls, "McGeer was really the only one who paid any attention." McGeer, who was leader of the tiny B.C. Liberal Party from 1968 to 1972 and served as a Social Credit cabinet minister during the 1970s and 1980s, went back to his laboratory, where he found evidence to support Rogers's findings.



MARTIN O'NEILL

McGeer: slowing down attacks on brain cells

The two men subsequently formulated a new theory about Alzheimer's. In their hypothesis, the disease involves an inflammatory condition created when the brain's immune system is activated and begins attacking and killing brain cells. The actual killer is a part of the immune system called the complement system cascade, its normal function is to amplify the effects of antibodies created to fight off invading bacteria or viruses. In the brain of an Alzheimer's patient, says McGeer, the cascade is "activated not by invading organisms, but by elements in the Alzheimer brain." McGeer and Rogers think that they have identified one of the factors involved in triggering the deadly overheating: a protein called beta amyloid, whose function is unknown.

Other scientists think that beta-amyloid itself is the principal killer of brain cells. Two years ago, British scientists established a link between the genetic region in cells that produces beta-amyloid and families afflicted with the relatively rare early onset form of Alzheimer's, which can strike people in their late 20s.

Some U.S. and Canadian researchers are focusing on another suspected Alzheimer's villain—a tiny protein known as APOE (for apolipoprotein E) that is responsible for ferrying cholesterol through the bloodstream. In August, scientists at Duke University Medical Centre in Durham, N.C., reported that in a study of 234 people with a family history of late-onset Alzheimer's, 64 per cent carried a version of the gene called APOE4. Other studies, including one by University of Toronto scientists (carried out in conjunction with the Duke University scientists), confirmed the apparent link between Alzheimer's and the APOE4 gene. According to Peter St. George-Hyslop, the neurologist in charge of the Toronto study, more than half of all Alzheimer's cases may involve people who carry the APOE4 gene.

Meanwhile, Rogers and McGeer have launched another, larger trial, in which about 100 Alzheimer's patients in the Sun City area are being treated with anti-inflammatory drugs. Their hope: that the test will support their earlier findings by slowing the effects of Alzheimer's. There have been many proposed treatments for Alzheimer's, says McGeer, but so far "no one has come up with any ideas that will stop neurons [brain cells] from dying. And that's got to be the objective." As scientists explore new approaches to Alzheimer's disease, the chances of realizing that objective have never looked better.

MARK NICHOLS

"ER...UM...I HAD NO IDEA..."

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Terms of endearment

Families have returned to the big screen

It is getting safe to go to the movies again. After a summer of big-budget chase scenes—from the rampaging dinosaurs in *Jurassic Park* to the careening freight train in *The Fugitive*—stories that value character over action are back in season. The new movies unveiled last week at Toronto's Festival of Festivals (Sept. 9 to 18) showed a strong trend towards neighborhood sagas of heartrending family conflict. They range from *The Snapper*, about a father coming to terms with his daughter's unwanted pregnancy, to Robert De Niro's directing debut, *A Bronx Tale*, the story of a hardworking bus driver whose son falls in with gangsters. The festival's world premieres also include two movies about family strife that go into commercial release this week. *The Joy Luck Club*, an epic about Chinese-American mothers and daughters, and *Bopha!*, the harrowing drama of a black South African family ripped apart by the struggle against apartheid.



The Joy Luck Club: *doughters trying to live up to their mothers' expectations*

Rigorously adapted from Amy Tan's best-selling novel, *The Joy Luck Club* is an ambitious weave of stories. Each is told from the viewpoint of one of the movie's main characters: four Chinese-born mothers and their four daughters, all of whom live in San Francisco. The narrative hinges on the mothers' weekly game of mah jongg. June (Ming-Na Wen) is invited to join the game after her mother dies. And the ritual opens up a myriad of painful recollections.

Most movies would abridge a novel as complex as *The Joy Luck Club* by putting the focus on two or three characters. But the script, which Tan co-wrote with Ron Bass, swallows the book whole. Dense with narration, the movie unfolds as a kaleidoscope of flashbacks involving four sets of daughters, mothers and grandmothers. The pacing is languorous, occasionally laborious. It is like watching a large family open their Christmas presents one at time.

But under the assured hand of director-producer Wayne Wang, the movie takes on a crystalline beauty. The images are static yet haunting. The actual stories, meanwhile, have cumulative power. Flashbacks to China, filmed on location, include dramas of rape, suicide and infanticide. And the women's lives begin to merge into a single tragic dilemma: from generation to generation, the daughters long to live up to their mothers' stubborn expectations while trying to free themselves from the oppressive traditions of the Old World.

There are some cloying aspects to the dovetailed symmetry of the eight lives. All the women are beautiful, successful and affluent, a fact that is simply taken for granted. And all their men are stupid, evil or, at the very least, unfaithful. Still, the movie's directness is refreshing. *The Joy Luck Club* is openly manipulative. It offers joy and sadness without subterfuge, full-frontal sentiment. And by delivering the novel to the screen with so little compromise, it represents an impressive feat.

Bopha! explores a father-son conflict with no more subtlety. But as a fact-based drama that incarnates the horror of South African civil strife, its intensity seems utterly appropriate. Based on the play by Percy Mtwa, and directed by actor Morgan Freeman, *Bopha!* is set in a township on South Africa's eastern cape in 1980. (The title refers to a double-edged Zulu word for "arrest" or "detain" that has become a rallying cry against authority.)

Danny Glover plays Micah, a black police sergeant who becomes a pariah within his community—and his family—when he takes part in the suppression of student protests against the use of the Afrikaner language in schools. As the youth rebellion escalates, Micah slowly discovers that his own son, Zweli (Maynard Eziashi), is one of its leaders.

Glover does a brilliant job of creating empathy for an essentially unsympathetic character. Micah is wedded to his uniform. He is in love with disciplinary ritual. But he has a good heart, a basic sense of decency. And when the cold-blooded thugs from Pretoria's special forces start to use torture and murder against the township's teenage insurgents, Micah's conscience begins to fray. He has to choose between his job and his family. Yet even as his wife, Rosie (Alfre Woodard), and his son are threatening to disown him, he seems paralysed by his position.

As the movie drives to a tragic conclusion, it offers few surprises and little subtext. But it is undeniably powerful. Freeman, filming in Zimbabwe and South Africa, conveys a rich sense of authenticity. And after so many movies that have dramatized South Africa through the eyes of a white hero, it is a relief to see one that does not rely on an intermediary. The cast, meanwhile, is superb. An Aryan-looking Malcolm McDowell makes a chilling impression in the role of Captain De Villiers, a Gestapo-like officer from Pretoria. As Micah's anguished wife, Woodard cuts to the quick with a raw, emotionally charged performance. And Glover proves once again that he is one of the most affecting actors working in film.

Hollywood has built its reputation on escapism. But with movies like *The Joy Luck Club* and *Bopha!*, stories drawn from the real world may yet prove to be more compelling.

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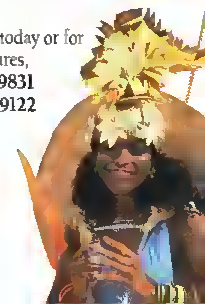

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COLUMN



Israel: a nation smaller than Vancouver Island

BY ALLAN FOTHERINGHAM

One January mid-morning in 1979, a nervous Joe Clark was ushered into a room in the Knesset in Jerusalem to meet with Shimon Peres, then the leader of the Labor Party in Israel. After the usual handshakes and the peremptory official photographs—the disgusting and phony "photo-ops"—the Clark attendant flunkies signalled that the half-dozen Canadian reporters and photographers who were accompanying him on his Keystone Kops tour of the world would have to leave the room, since the serious discussions were to begin.

Peres looked puzzled. "What is the problem?" he said. "Let them stay." And so to the delight of an amused Canadian journalistic gaggle, was revealed a jaggly and tremulous Clark revealing how little he really knew about the nuances and intricacies of Israel's impenetrable problems.

Peres never blinked. He didn't think there was anything wrong with politicians—both of them future prime ministers—telling the truth in front of mere scribblers.

This is the guy who, last week, as foreign minister on behalf of Israel on the lawn of the White House, sat down before a historic wooden desk and signed an accord that supposedly would end blood feuds that Joe Clark surely would remember from Bible class in High River, Alta. Shimon Peres would remain consistent.

It's almost impossible for any outsider, however many news stories digested, to comprehend the dilemma of Israel that is dictated by geography. A reporter who has roamed the place a few times still finds it hard to describe how fragile is its territory.

Imagine a nation—a nation that commands world headlines constantly—that is smaller than Vancouver Island. You can drive from one end to the other easily in a day. Jerusalem to the sea is a jump and a skip compared to what most Canadians take to get to the weekend cottage.

The reluctant gamble—land in exchange for peace—would lead eventually to the new American media hero Yasser Arafat and his



ROY PETERSON

PLO terrorists having control eventually over the whole West Bank, which innocents understandably might think refers simply to the bank of the fabled River Jordan, Israel's eastern border.

In this tiny state, it in fact means that the bulbous West Bank territory under the PLO would be back to just 20 "klicks" away from Tel Aviv and the Mediterranean, an Israel almost bifurcated.

This is a country in miniature. Those raised in Sunday school on the mythic River Jordan, which flows into the Dead Sea, are appalled at encountering it. It would hardly qualify as a creek in Hearne, Sask., not to mention Sardis, B.C. The much-mentioned Allenby Bridge, the connection between Israel and its mortal enemy—King Hussein's Jordan—turns out to be one of those bay wire Bailey bridges erected by Canadian engineers in our last big war. It is high-tech country that is a Meccano set.

One day we are sitting at a sidewalk café in Jerusalem and my companion says, "See those faces going past us. Have you ever seen stronger faces in your life?" I confess that I have not—vigorous, determined, lean faces. My seatmate explains: "It's because every resident of this city knows that when they wake up every morning they may be killed—or have to kill—that day."

One of the great hostels in the world is the King David Hotel in Jerusalem. Rich Zionists from New York City lounge around the pool and the magnificent gardens. Menachem Begin, later prime minister, as a terrorist against the British blew up the hotel and killed scores.

Several years ago, I warned a daughter not to wander beyond the hotel without pops or a guardian. A naif from safe Vancouver, she wondered why. The next day, 180 metres away in the market of old Jerusalem, two Arab girls with long kitchen knives hidden under their robes stabbed to death a tourist "who looked like a Jew." Daughter stayed closer to the pool.

You have to be there. One of the many sins of journalism is to describe the hardline Israelis who are so upset at the reluctant handshake with Arafat as "settlers" in the West Bank. One would get the impression of people in trailer parks. What is most astounding to a visitor—and despairing as to a solution—is that the "settlers" live in abodes that could come from San Diego, West Vancouver or the better views on the Riviera.

These are not shacks. Them is condos to die for. No one is going to surrender them willingly to guys down the road who—right out of Joe Clark's Bible—are still living in tents and tending sheep.

The White House handshakes are great. The problem is that the greatest growth industry in Jerusalem is the making of heavy wire-mesh windshields that every "settler" in the West Bank purchases to shield his forehead from the rock tossing and masked Palestinian kids who mount a gauntlet for those Jerusalem-employed Israelis driving home to those San Diego condos.

It's a tragic situation, illustrated no more clearly than by the expression on Yitzhak Rabin's face when Bill Clinton nudged him on the shoulder to do the grudging hand shake with the grinning Arafat.

Mackenzie King said that Canada's problem was that it had too much geography and not enough history. Israel's problem is that it has too much history and not enough geography.



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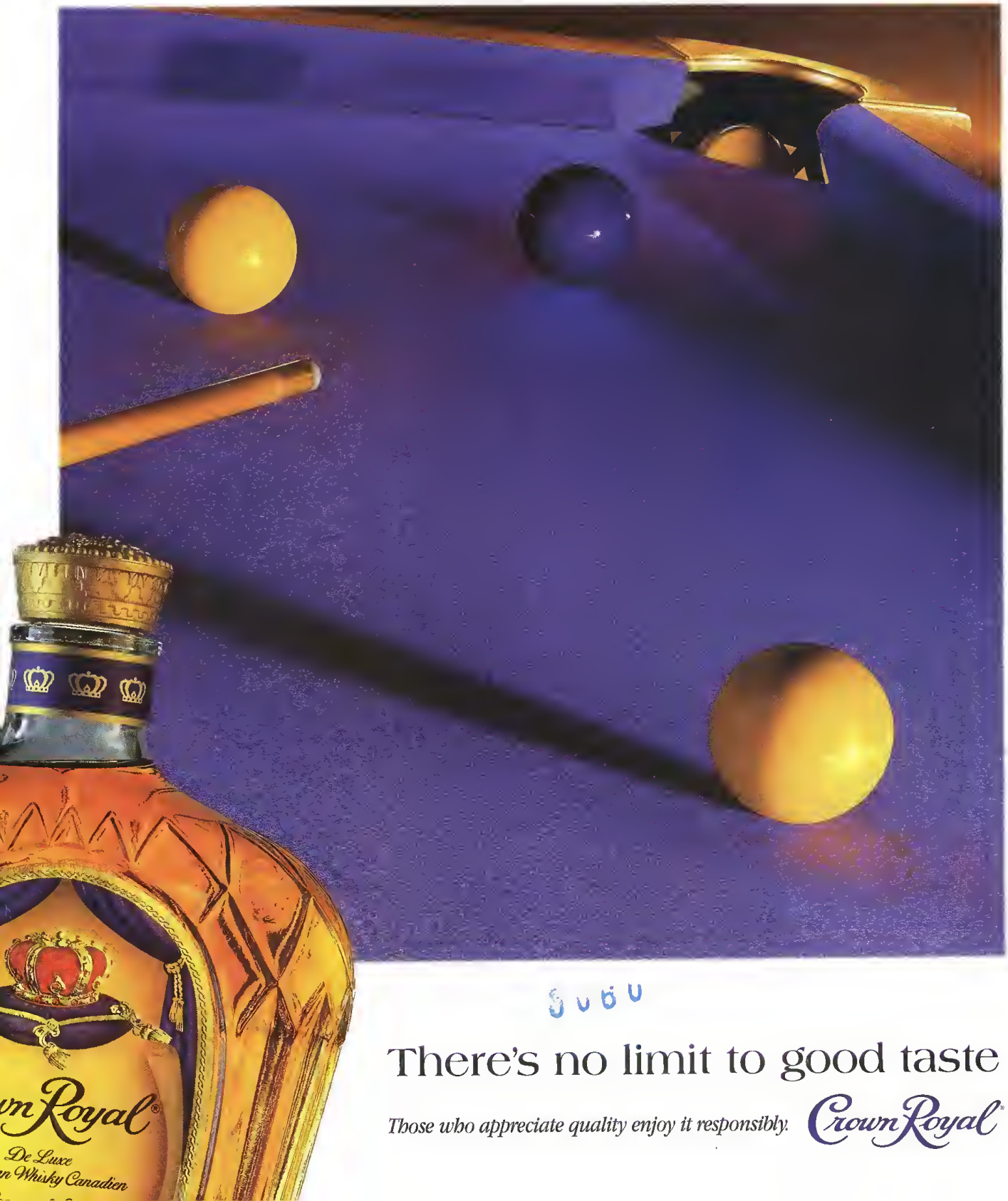
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